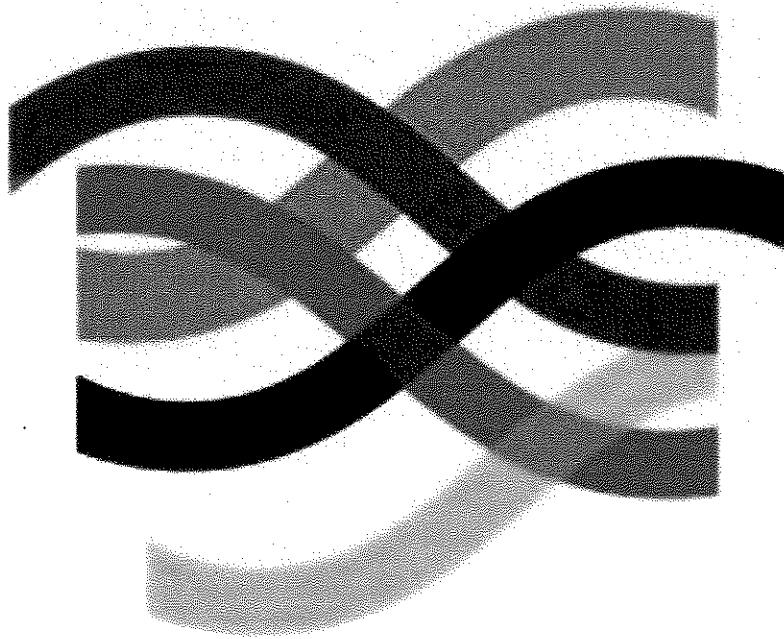


**Matzikama**  
MUNICIPALITY

**matzikama**



**UNAUDITED ANNUAL FINANCIAL STATEMENTS**

**30 JUNE 2017**

# MATZIKAMA MUNICIPALITY

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# MATZIKAMA MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### GENERAL INFORMATION

#### NATURE OF BUSINESS

Matzikama Municipality is a local municipality performing the functions as set out in the Constitution of the Republic of South Africa.

#### COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998) and are classified as a medium capacity municipality.

#### JURISDICTION

The Matzikama Municipality includes the following areas:

Vredendal  
Vandijnsdorp  
Klawer  
Kookanasap  
Lutzville  
Ebenhaezar  
Strandfontein  
Doringbaai  
Bitterfontein  
Nunus  
Stofkraal  
Molsvllei  
Rietpoort  
Kliprand

#### MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	G STEPHAN
Deputy Executive Mayor	A SINDYAMBA
Executive Councillor	RJ NUTT
Executive Councillor	WD LOFF
Executive Councillor	AFK JOB
Speaker	NS LOUW
Councillor	M CAROSINI
Councillor	MV CLOETE
Councillor	AW LINKS
Councillor	WH NEL
Councillor	PG BOK
Councillor	NM NGOBO
Councillor	J DE JONGH
Councillor	XP TSHETU
Councillor	DD JENNER

#### MUNICIPAL MANAGER

DP LUBBE

#### CHIEF FINANCIAL OFFICER

GRJ SEAS

#### REGISTERED OFFICE

37 Church Street, Vredendal, 8160

#### AUDITORS

Auditor-General of South Africa, Private Bag X1, Chennai, 7442

#### PRINCIPLE BANKERS

ABSA Bank

#### ATTORNEYS

Swanepoel and Swanepoel Prokureurs  
Bradley Conradia Prokureurs  
Koos Coetzee Prokureurs

#### RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Planning and Performance Management Regulations  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1998)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1996)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Collective Agreements  
Infrastructure Grants  
SALGB

# MATZIKAMA MUNICIPALITY

## MEMBERS OF THE MATZIKAMA MUNICIPALITY

### COUNCILLORS

1	M CAROSINI
2	AFK JOB
3	AW LINKS
4	WD LOFF
5	NS LOUW
6	RJ NUTT
7	A SINDYAMBA
8	MV CLOETE
Proportional	G STEPHAN
Proportional	WH NEL
Proportional	PG BOK
Proportional	NM NGOBO
Proportional	J DE JONGH
Proportional	XP TSHETU
Proportional	DD JENNER

### APPROVAL OF FINANCIAL STATEMENTS

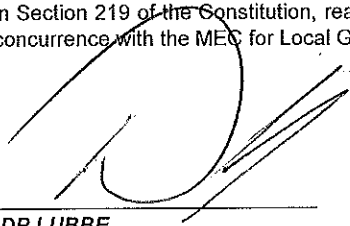
I am responsible for the preparation of these annual financial statements for the year ended 30 June 2017, which are set out on pages 1 to 79 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2018 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and approved by council in concurrence with the MEC for Local Government in the province.

  
\_\_\_\_\_  
DP LUBBE  
Municipal Manager

31 August 2017  
\_\_\_\_\_  
Date

**MATZIKAMA MUNICIPALITY**

**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017**

	Notes	2017 R	2016 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>502 541 914</b>	<b>467 996 779</b>
Capital Replacement Reserve	2	4 392 000	3 375 000
Accumulated Surplus/(Deficit)		498 149 914	464 621 779
<b>Non-Current Liabilities</b>		<b>110 135 339</b>	<b>112 566 943</b>
Long-term Borrowings	3	21 662 766	25 969 551
Non-current Provisions	4	57 801 084	55 951 967
Non-current Employee Benefits	5	30 671 489	30 645 425
<b>Current Liabilities</b>		<b>28 807 587</b>	<b>37 851 561</b>
Consumer Deposits	6	4 451 963	4 111 725
Current Employee Benefits	7	9 874 946	8 908 414
Trade and Other Payables from exchange transactions	8	8 545 995	19 893 147
Unspent Transfers and Subsidies	9	1 659 814	810 703
Taxes	10.3	-	44 588
Current Portion of Long-term Borrowings	3	4 274 868	4 082 984
<b>Total Net Assets and Liabilities</b>		<b>641 484 840</b>	<b>618 415 283</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>615 465 826</b>	<b>587 131 967</b>
Property, Plant and Equipment	11	547 264 046	517 930 891
Investment Property	12	67 691 582	68 841 582
Intangible Assets	13	212 200	247 343
Long-term Receivables	14	297 998	112 151
<b>Current Assets</b>		<b>26 019 014</b>	<b>31 283 314</b>
Inventory	15	490 540	506 063
Receivables from exchange transactions	16	14 334 646	12 891 622
Receivables from non-exchange transactions	17	5 494 666	6 946 548
Unpaid Transfers and Subsidies	9	810 155	-
Operating Lease Asset	18	81 591	82 341
Taxes	10.3	437 979	-
Current Portion of Long-term Receivables	14	253 380	346 214
Cash and Cash Equivalents	19	4 116 056	10 510 526
<b>Total Assets</b>		<b>641 484 840</b>	<b>618 415 281</b>

**MATZIKAMA MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**

	Notes	2017 R	2016 R
<b>REVENUE</b>			
Revenue from Non-exchange Transactions		146 302 852	145 068 580
Taxation Revenue		42 530 478	36 598 497
Property Rates	20	42 530 478	36 598 497
Transfer Revenue		97 656 971	104 909 767
Government Grants and Subsidies	21	79 334 043	77 628 434
Contributed Property, Plant and Equipment	24	18 322 928	27 281 333
Other Revenue		6 115 404	3 560 316
Actuarial Gains	5	3 266 714	469 745
Fines, Penalties and Forfeits		2 848 690	3 090 571
Revenue from Exchange Transactions		162 247 330	151 716 580
Service Charges	22	146 632 912	135 222 096
Sales of Goods and Rendering of Services	23	3 227 362	3 982 853
Rental from Fixed Assets	26	3 620 846	3 982 560
Interest Earned - external investments	27	1 700 714	1 654 131
Interest Earned - outstanding receivables	28	3 161 708	3 124 535
Licences and Permits		1 163 619	1 122 173
Agency Services		2 740 169	2 628 232
<b>Total Revenue</b>		<b>308 550 182</b>	<b>296 785 160</b>
<b>EXPENDITURE</b>			
Employee related costs	29	102 679 324	93 529 500
Remuneration of Councillors	30	6 100 498	5 907 832
Debt impairment		13 477 977	11 652 698
Collection Costs		391 141	327 388
Contracted Services		-	-
Depreciation and Amortisation	31	13 602 077	12 899 299
Actuarial Losses	5	-	137 346
Finance Costs	32	7 816 932	8 313 336
Bulk Purchases	33	90 355 253	82 655 571
Transfers and Subsidies	35	1 027 387	956 876
Operational Costs	36	37 191 404	34 152 068
<b>Total Expenditure</b>		<b>272 641 994</b>	<b>250 531 913</b>
<b>Operating Surplus for the Year</b>		<b>35 908 188</b>	<b>46 253 247</b>
(Impairment Loss)/Reversal of Impairment Loss on Receivables		18 815	106 435
Gains/(Loss) on Sale of Fixed Assets		(1 381 867)	-
(Impairment Loss)/Reversal of Impairment Loss on Fixed Assets		-	(1 024 725)
Profit/(Loss) on Fair Value Adjustments		-	(3 165 131)
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>34 545 135</b>	<b>42 169 826</b>

**MATZIKAMA MUNICIPALITY**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017**

	<b>Capital Replacement Reserve</b>	<b>Revaluation Reserve</b>	<b>Accumulated Surplus/ (Deficit)</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>Balance at 1 July 2015</b>	4 610 000	-	419 750 209	424 360 209
Correction of error - see note 37.01			177 744	
<b>Restated Balance</b>	<b>4 610 000</b>	<b>-</b>	<b>419 927 953</b>	<b>424 360 209</b>
Net Surplus/(Deficit) for the year	-	-	42 169 826	42 169 826
Transfer to/from CRR	3 375 000	-	(3 375 000)	-
Revaluation Reserve		1 289 000		1 289 000
Transfer to Accumulated Surplus		(1 289 000)	1 289 000	-
Property, Plant and Equipment purchased	(4 610 000)	-	4 610 000	-
<b>Balance at 30 June 2016</b>	<b>3 375 000</b>	<b>-</b>	<b>464 621 779</b>	<b>467 819 034</b>
Net Surplus/(Deficit) for the year	-	-	34 545 135	34 545 135
Transfer to/from CRR	4 392 000		(4 392 000)	-
Revaluation Reserve		-	-	-
Transfer to Accumulated Surplus		-	-	-
Property, Plant and Equipment purchased	(3 375 000)	-	3 375 000	-
<b>Balance at 30 June 2017</b>	<b>4 392 000</b>	<b>-</b>	<b>498 149 914</b>	<b>502 364 170</b>

**MATZIKAMA MUNICIPALITY**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017**

	Notes	2017 R	2016 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Cash receipts</b>		<b>282 686 651</b>	<b>253 802 145</b>
Taxation, Service Charges and Other Revenue		198 451 229	172 090 479
Government		79 373 000	76 933 000
Interest		4 862 422	4 778 666
<b>Cash payments</b>		<b>(260 650 090)</b>	<b>(223 569 558)</b>
Suppliers and Employees		(256 466 437)	(219 223 399)
Finance Charges		(3 156 265)	(3 389 283)
Transfers and Grants		(1 027 387)	(956 876)
<b>Net Cash from Operating Activities</b>	<b>39</b>	<b>22 036 561</b>	<b>30 232 587</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment		(25 249 635)	(26 998 023)
Purchase of Investment Property		-	-
Proceeds on Disposal of Fixed Assets		553 156	690 468
Decrease/(Increase) in Non-Current Debtors		40 111	157 870
<b>Net Cash from Investing Activities</b>		<b>(24 656 368)</b>	<b>(26 149 685)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Increase/(Decrease) in Consumer Deposits		340 237	156 359
Repayment of Borrowing		(4 114 901)	(4 461 682)
<b>Net Cash from Financing Activities</b>		<b>(3 774 663)</b>	<b>(4 305 323)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(6 394 470)</b>	<b>(222 421)</b>
Cash and Cash Equivalents at the beginning of the year		10 510 526	10 732 947
Cash and Cash Equivalents at the end of the year	<b>40</b>	<b>4 116 056</b>	<b>10 510 526</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(6 394 470)</b>	<b>(222 421)</b>



**MATZIKAMA MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017**

Notes	Original Budget	Budget Adjustments (i.f.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Final Budget	Actual Outcome  2017 R	Actual Outcome as % of Final Budget  %
	R	R	R	R		
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash	14 798 014	(3 393 812)	11 404 202	11 404 202	4 116 056	-63.91%
Call Investment Deposits		-		-	-	0.00%
Consumer Debtors	25 573 559	(2 596 667)	22 976 892	22 976 892	19 829 313	-13.70%
Other Debtors	244 488	(162 147)	82 341	82 341	1 329 725	1514.90%
Current Portion of long-term receivables	382 632	(36 418)	346 214	346 214	253 380	-26.81%
Inventory	479 741	56 685	536 427	536 427	490 540	-8.55%
<b>Total Current Assets</b>	<b>41 478 434</b>	<b>(6 132 358)</b>	<b>35 346 076</b>	<b>35 346 076</b>	<b>26 019 014</b>	<b>-26.39%</b>
<b>Non-Current Assets</b>						
Long-term Receivables	145 000	(32 849)	112 151	112 151	297 998	165.71%
Investments		-		-	-	0.00%
Investment Property	65 969 831	12 283 151	78 252 982	78 252 982	67 691 582	-13.50%
Investment in Associates		-		-	-	0.00%
Property, Plant and Equipment	509 306 513	26 838 262	536 144 775	536 144 775	547 264 046	2.07%
Agricultural Assets		-		-	-	0.00%
Biological Assets		-		-	-	0.00%
Intangible Assets	273 831	(76 652)	197 179	197 179	212 200	7.62%
Other Non-Current Assets		-		-	-	0.00%
<b>Total Non-Current Assets</b>	<b>575 695 175</b>	<b>39 011 911</b>	<b>614 707 087</b>	<b>614 707 087</b>	<b>615 465 826</b>	<b>0.12%</b>
<b>TOTAL ASSETS</b>	<b>617 173 609</b>	<b>32 879 553</b>	<b>650 053 162</b>	<b>650 053 162</b>	<b>641 484 840</b>	<b>-1.32%</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Bank Overdraft		-		-	-	0.00%
Borrowing	4 200 678	-	4 200 678	4 200 678	4 274 868	1.77%
Consumer Deposits	4 469 406	(357 680)	4 111 726	4 111 726	4 451 963	8.27%
Trade and Other Payables	20 405 884	1 396 163	21 802 046	21 802 046	10 205 809	-53.19%
Provisions	8 999 615	532 388	9 532 003	9 532 003	9 874 946	3.60%
<b>Total Current Liabilities</b>	<b>38 075 584</b>	<b>1 570 871</b>	<b>39 646 454</b>	<b>39 646 454</b>	<b>28 807 587</b>	<b>-27.34%</b>
<b>Non-Current Liabilities</b>						
Borrowing	21 581 421	187 452	21 768 873	21 768 873	21 662 766	-0.49%
Provisions	84 289 652	10 765 269	95 054 920	95 054 920	88 472 573	-6.92%
<b>Total Non-Current Liabilities</b>	<b>105 871 073</b>	<b>10 952 720</b>	<b>116 823 793</b>	<b>116 823 793</b>	<b>110 135 339</b>	<b>-5.73%</b>
<b>TOTAL LIABILITIES</b>	<b>143 946 657</b>	<b>12 523 591</b>	<b>156 470 247</b>	<b>156 470 247</b>	<b>138 942 926</b>	<b>-11.20%</b>
<b>NET ASSETS</b>						
Accumulated Surplus/(Deficit)	468 843 053	18 331 140	487 174 193	487 174 193	498 149 914	2.25%
Reserves	4 383 900	2 024 822	6 408 722	6 408 722	4 392 000	-31.47%
<b>TOTAL NET ASSETS</b>	<b>473 226 953</b>	<b>20 355 962</b>	<b>493 582 915</b>	<b>493 582 915</b>	<b>502 541 914</b>	<b>1.82%</b>

**EXPLANATORY NOTES ON ALL MATERIAL VARIANCES LARGER THAN 10% PRESENTED IN NOTE 55**

**MATZIKAMA MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**

Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
	R	R	R	R	2017 R	%
<b>REVENUE</b>						
Property Rates	43 273 951	(117 895)	43 156 056	43 156 056	42 530 477	-1.45%
Property Rates - Penalties & Collection Charges	-	-	-	-	-	0.00%
Service Charges - Electricity Revenue	110 222 680	1 922 228	112 144 909	112 144 909	102 379 275	-8.71%
Service Charges - Water Revenue	18 372 299	82 200	18 454 499	18 454 499	16 232 198	-12.04%
Service Charges - Sanitation Revenue	14 837 145	(840 300)	13 996 845	13 996 845	13 740 219	-1.83%
Service Charges - Refuse Revenue	14 784 317	(712 400)	14 071 917	14 071 917	14 281 221	1.49%
Service Charges - Other Revenue	-	-	-	-	-	0.00%
Rental of Facilities and Equipment	3 882 083	279 400	4 161 483	4 161 483	3 620 846	-12.99%
Interest Earned - External Investments	1 117 987	370 000	1 487 987	1 487 987	1 700 714	14.30%
Interest Earned - Outstanding Debtors	2 971 528	-	2 971 528	2 971 528	3 161 708	6.40%
Dividends Received	-	-	-	-	-	0.00%
Fines	2 362 572	(409 000)	1 973 572	1 973 572	2 848 690	44.34%
Licences and Permits	1 243 207	27 500	1 270 707	1 270 707	1 163 619	-8.43%
Agency Services	2 886 274	-	2 886 274	2 886 274	2 740 169	-5.06%
Transfers Recognised - Operational	52 951 224	3 232 894	56 184 118	56 184 118	54 632 300	-2.76%
Other Revenue	2 742 929	601 177	3 344 106	3 344 106	6 512 891	94.76%
Gains on Disposal of PPE	4 092 374	1 000 000	5 092 374	5 092 374	-	-100.00%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>275 760 569</b>	<b>5 435 804</b>	<b>281 196 373</b>	<b>281 196 373</b>	<b>265 544 325</b>	<b>-5.57%</b>
<b>EXPENDITURE</b>						
Employee Related Costs	101 585 796	2 915 509	104 501 305	104 501 305	102 679 324	-1.74%
Remuneration of Councillors	6 468 707	(20 443)	6 448 264	6 448 264	6 100 498	-5.39%
Debt Impairment	15 700 000	(4 000 000)	11 700 000	11 700 000	13 477 977	15.20%
Depreciation and Asset Impairment	12 528 768	916 606	13 445 374	13 445 374	13 602 077	1.17%
Finance Charges	8 593 878	1 134 642	9 728 620	9 728 620	7 816 932	-19.65%
Bulk Purchases	89 661 815	-	89 661 815	89 661 815	90 355 253	0.77%
Other Materials	-	-	-	-	-	0.00%
Contracted Services	128 560	(93 560)	35 000	35 000	-	-100.00%
Transfers and Grants	1 037 671	31 600	1 069 271	1 069 271	1 027 387	-3.92%
Other Expenditure	36 666 282	9 235 426	45 901 707	45 901 707	37 582 545	-18.12%
Loss on Disposal of PPE	-	-	-	-	1 381 867	0.00%
<b>Total Expenditure</b>	<b>272 371 575</b>	<b>10 119 780</b>	<b>282 491 356</b>	<b>282 491 356</b>	<b>274 023 862</b>	<b>-3.00%</b>
<b>Surplus/(Deficit)</b>	<b>3 388 994</b>	<b>(4 683 976)</b>	<b>(1 294 982)</b>	<b>(1 294 982)</b>	<b>(8 479 536)</b>	<b>554.80%</b>
Transfers Recognised - Capital	23 702 776	1 596 809	25 299 585	25 299 585	24 701 743	-2.36%
Contributions Recognised - Capital	-	-	-	-	-	0.00%
Contributed Assets	-	-	-	-	18 322 928	0.00%
<b>Surplus/(Deficit) after Capital Transfers &amp; Contributions</b>	<b>27 091 770</b>	<b>(3 087 167)</b>	<b>24 004 603</b>	<b>24 004 603</b>	<b>34 545 135</b>	<b>43.91%</b>
Taxation	-	-	-	-	-	0.00%
<b>Surplus/(Deficit) after Taxation</b>	<b>27 091 770</b>	<b>(3 087 167)</b>	<b>24 004 603</b>	<b>24 004 603</b>	<b>34 545 135</b>	<b>43.91%</b>
Attributable to Minorities	-	-	-	-	-	0.00%
<b>Surplus/(Deficit) Attributable to Municipality</b>	<b>27 091 770</b>	<b>(3 087 167)</b>	<b>24 004 603</b>	<b>24 004 603</b>	<b>34 545 135</b>	<b>43.91%</b>
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	0.00%
<b>Surplus/(Deficit) for the year</b>	<b>27 091 770</b>	<b>(3 087 167)</b>	<b>24 004 603</b>	<b>24 004 603</b>	<b>34 545 135</b>	<b>43.91%</b>

**EXPLANATORY NOTES ON ALL MATERIAL VARIANCES LARGER THAN 10% PRESENTED IN NOTE 55**

**MATSIKAMA MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017**

Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
	R	R	R	R	2017 R	%
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
<b>Receipts</b>						
Taxation	38 816 734	(407 844)	38 408 890	38 408 890	40 636 535	5.80%
Service Charges	136 420 147	4 794 523	141 214 670	141 214 670	144 226 640	2.13%
Other Revenue	11 818 548		12 726 625	12 726 625	13 588 055	6.77%
Government - Operating	52 951 224		56 184 118	56 184 118	55 426 724	-1.35%
Government - Capital	23 702 776		25 299 585	25 299 585	23 946 276	-5.35%
Interest	3 783 448	370 000	4 153 448	4 153 448	4 862 421	17.07%
Dividends	-	-	-	-	-	0.00%
<b>Payments</b>						
Suppliers and Employees	(238 518 245)	(3 944 379)	(242 462 624)	(242 462 624)	(256 466 437)	5.78%
Finance costs	(3 011 971)	(174 486)	(3 186 457)	(3 186 457)	(3 156 265)	-0.95%
Transfers and Grants	(1 037 671)	(31 600)	(1 069 271)	(1 069 271)	(1 027 387)	-3.92%
<b>Net Cash from/(used) Operating Activities</b>	<b>24 924 990</b>	<b>606 214</b>	<b>31 268 984</b>	<b>31 268 984</b>	<b>22 036 562</b>	<b>-29.53%</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>						
<b>Receipts</b>						
Proceeds on disposal of PPE	4 092 374	1 000 000	5 092 374	5 092 374	553 156	-89.14%
Decrease/(Increase) in Non-Current Debtors	-	-	-	-	-	0.00%
Decrease/(Increase) in Other Non-Current Receivables	9 669	148 201	157 870	157 870	40 111	-74.59%
Decrease/(Increase) in Non-Current Investments	-	-	-	-	-	0.00%
<b>Payments</b>						
Capital Assets	(27 077 276)	(4 631 031)	(31 708 307)	(31 708 307)	(25 249 635)	-20.37%
<b>Net Cash from/(used) Investing Activities</b>	<b>(22 975 233)</b>	<b>(3 482 830)</b>	<b>(26 458 063)</b>	<b>(26 458 063)</b>	<b>(24 656 368)</b>	<b>-6.81%</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>						
<b>Receipts</b>						
Short Term Loans	-	-	-	-	-	0.00%
Borrowing long term/refinancing	-	-	-	-	-	0.00%
Increase/(Decrease) in Consumer Deposits	276 717	(110 977)	165 741	165 741	340 237	105.28%
<b>Payments</b>						
Repayment of Borrowing	(4 054 234)	(28 750)	(4 082 984)	(4 082 984)	(4 114 901)	0.78%
<b>Net Cash from/(used) Financing Activities</b>	<b>(3 777 516)</b>	<b>(139 727)</b>	<b>(3 917 243)</b>	<b>(3 917 243)</b>	<b>(3 774 663)</b>	<b>-3.64%</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>(1 827 760)</b>	<b>(3 016 343)</b>	<b>893 677</b>	<b>893 677</b>	<b>(6 394 469)</b>	<b>-815.52%</b>
Cash and Cash Equivalents at the year begin:	16 625 774	(6 115 249)	10 510 525	10 510 525	10 510 525	0.00%
Cash and Cash Equivalents at the year end:	14 798 014	(9 131 592)	11 404 202	11 404 202	4 116 056	-63.91%

**EXPLANATORY NOTES ON ALL MATERIAL VARIANCES LARGER THAN 10% PRESENTED IN NOTE 55**

*MATZIKAMA MUNICIPALITY*

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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**1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS**

**1.1 BASIS OF PREPARATION**

The financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2015) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

**1.2 PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the financial statements.

**1.3 GOING CONCERN ASSUMPTION**

These financial statements have been prepared on the basis of going concern.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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**1.4 COMPARATIVE INFORMATION**

When the presentation or classification of items in the financial statements are amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatement of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**1.5 AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

**1.6 MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality. For the purposes of explaining variances on the face of the statements the figure of 10% is utilised by management and deemed appropriate.

**1.7 PRESENTATION OF BUDGET INFORMATION**

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements. Variances larger than 10% are seen as material, and explanations provided.

**MATSIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

Explanations for material differences between the final budget amounts and actual amounts are included in the Notes to the Financial Statements. Variances larger than 10% are seen as material, and explanations provided

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

**1.8 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2016/17 financial year.

The following GRAP standards and interpretations have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
<b>GRAP 20</b> (Original – June 2011)	<p><b>Related Party Disclosure</b></p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality as resolved to use the disclosure requirements of GRAP 20 to formulate its own accounting policy for related party transactions. The information is therefore included in the financial statements.</p>	<b>Unknown</b>
<b>GRAP 32</b> (Original – Aug 2013)	<p><b>Service Concession Arrangements: Grantor</b></p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	<b>Unknown</b>
<b>GRAP 108</b> (Original – Sept 2013)	<p><b>Statutory Receivables</b></p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.</p>	<b>Unknown</b>

**MATSIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

<b>GRAP 109</b>	<b>Accounting by Principles and Agents</b> The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.	<b>Unknown</b>
<b>IGRAP17</b>	<b>Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset</b> This Interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. No such transactions or events are expected in the foreseeable future.	<b>Unknown</b>

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

## **1.9 RESERVES**

### **1.9.1 Capital Replacement Reserve (CRR)**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

## **1.10 LEASES**

### **1.10.1 Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

## *MATSIKAMA MUNICIPALITY*

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

#### **1.10.2 Municipality as Lessor**

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

#### **1.11 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

**1.12 PROVISIONS**

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

### 1.13 EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

#### 1.13.1 *Post-Retirement Medical Obligations*

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – “Employee Benefits” (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

#### 1.13.2 *Long Service Awards*

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation. Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

*MATSIKAMA MUNICIPALITY*

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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**1.13.3 Staff Leave**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

**1.13.4 Staff Bonuses**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

**1.13.5 Pension and retirement fund obligations**

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised

in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

**1.13.6 Other Short-term Employee Benefits**

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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**1.14 BORROWING COSTS**

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

**1.15 PROPERTY, PLANT AND EQUIPMENT**

**1.15.1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

**1.15.2 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

**MATSIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**1.15.3 Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	<b>Years</b>		<b>Years</b>
<b><u>Infrastructure</u></b>		<b><u>Other</u></b>	
Roads and Paving	15-100	Vehicles	6 -24
Electricity	1-80	Furniture and Office Equipment	6-22
Water	15-100	Plant & Equipment	6-34
Sewerage	10-100	Landfill sites	13 -38
 <b><u>Community</u></b>			
Buildings	10 -100		
Recreational Grounds	0 -100		
Halls	0 -100		
Libraries	0 -100		
Taxi Ranks and Parking Areas	100		
Parks and gardens	0-100		
Cemeteries	100		
 <b><u>Land &amp; Buildings</u></b>			
Land	Infinite		
Buildings	100		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

**1.15.4 De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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**1.15.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined.

For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

**1.16 INTANGIBLE ASSETS**

**1.16.1 Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

**1.16.2 Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

**1.16.3 Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method.

Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	15
Rights	15

**1.16.4 De-recognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.16.5 Application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

**1.17 INVESTMENT PROPERTY****1.17.1 Initial Recognition**

Investment property is recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

**1.17.2 Subsequent Measurement – Fair Value Model**

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is recognised in the Statement of Financial Performance for the period in which it arises.

**1.17.3 De-recognition**

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.17.4 Application of deemed cost - Directive 7**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.



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**1.18 IMPAIRMENT OF NON-FINANCIAL ASSETS**

**1.18.1 Cash-generating assets**

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

#### **1.18.2 Non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

##### **(a) External sources of information**

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

##### **(b) Internal sources of information**

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss and is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *Depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

#### **1.19 INVENTORIES**

##### **1.19.1 Initial Recognition**

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

##### **1.19.2 Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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The basis of allocating cost to inventory items is the first-in-first-out method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale is assigned by using specific identification of their individual costs.

#### **1.20 FINANCIAL INSTRUMENTS**

Financial instruments recognised on the Statement of Financial Position include non-statutory receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions). The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

##### **1.20.1 Initial Recognition**

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

##### **1.20.2 Subsequent Measurement**

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

##### **1.20.2.1 Receivables**

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance.

Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

**1.20.2.2**     *Payables and Annuity Loans*

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

**1.20.2.3**     *Cash and Cash Equivalents*

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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#### **1.20.3 De-recognition of Financial Instruments**

##### **1.20.3.1 Financial Assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

##### **1.20.3.2 Financial Liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

#### **1.20.4 Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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**1.22 STATUTORY RECEIVABLES**

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions. Examples of Statutory receivables would be rates and fines.

**1.22.1 Initial Recognition**

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

**1.22.2 Measurement**

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

**1.22.3 Derecognition**

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or



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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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(c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:

(i) derecognise the receivable; and

(ii) recognise separately any rights and obligations created or retained in the transfer.

#### **1.23 REVENUE**

##### **1.23.1 Revenue from Non-Exchange Transactions**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of iGRAP 1, as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality.

Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof is

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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virtually certain. Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

#### **1.23.2 Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced.

Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. An adjustment is made at year-end for unused units. The pre-paid electricity sold, but not consumed yet at year-end is disclosed under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

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**1.24 RELATED PARTIES**

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

(a) A person or a close member of that person's family is related to the Municipality if that person:

- has control or joint control over the Municipality.
- has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
- is a member of the management of the Municipality or its controlling entity.

(b) An entity is related to the Municipality if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
- both entities are joint ventures of the same third party.
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
- the entity is controlled or jointly controlled by a person identified in (a).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

## *MATSIKAMA MUNICIPALITY*

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees.

Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

#### **1.25 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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**1.26 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.27 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.28 CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality.

A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable. Management judgement is required when recognising and measuring contingent liabilities.

**1.29 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

**1.29.1 Post-retirement medical obligations and Long service awards**

The cost of post retirement medical obligations, long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

**1.29.2 Impairment of Receivables**

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

**1.29.3 Property, Plant and Equipment**

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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**1.29.4 Intangible Assets**

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

**1.29.5 Investment Property**

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers or qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

**1.29.6 Provisions and Contingent Liabilities**

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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**1.29.7 Revenue Recognition**

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

**1.29.8 Provision for Landfill Sites**

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

**1.29.9 Provision for Staff leave**

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

**1.29.10 Pre-paid electricity estimation**

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using 5 days' worth of unused electricity.

**1.29.11 Componentisation of Infrastructure assets**

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

*MATZIKAMA MUNICIPALITY*

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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**1.30 TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

**1.31 CAPITAL COMMITMENTS**

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

**1.32 EVENTS AFTER REPORTING DATE**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

		2017 R	2016 R
2	<b>NET ASSET RESERVES</b>		
	Capital Replacement Reserve	4 392 000	3 375 000
	Total Net Asset Reserves	4 392 000	3 375 000
	The Capital Replacement Reserve is used to finance future capital expenditure from own funds		
3	<b>LONG-TERM BORROWINGS</b>		
	Annuity Loans - At amortised cost	25 937 634	30 052 535
	Current Portion transferred to Current Liabilities	(4 274 868)	(4 082 984)
	Total Long-term Liabilities - At amortised cost using the effective interest rate method	21 662 766	25 969 551
	Refer below for maturity dates of long term liabilities:		
	The obligations under annuity loans are scheduled below:		
		Minimum Payments	
3.1	The obligations under annuity loans are scheduled below:		
	Payable within one year	7 094 747	7 268 168
	Payable within two to five years	17 544 195	22 055 091
	Payable after five years	16 462 774	19 391 588
		41 101 716	48 714 847
	Less: Future finance obligations	(15 164 082)	(18 662 312)
	Present value of annuity obligations	25 937 634	30 052 535
	Annuity loans at amortised cost is calculated at a interest rate of between 5.70% and 11.14%, with first maturity date of 30 June 2018 and last maturity date of 30 June 2027.		
		2017 R	2016 R
4	<b>NON-CURRENT PROVISIONS</b>		
	Provision for Rehabilitation of Landfill-sites	57 801 084	55 951 967
	Total Non-current Provisions	57 801 084	55 951 967

In terms of the licensing of the landfill refuse sites, the Municipality will incur rehabilitation costs to restore the sites at the end of their useful lives, estimated to occur in 2016-2034.

**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**4.1 Landfill Sites**

	2017 R	2016 R
Balance 1 July	55 951 967	50 736 701
Contribution for the year	-	-
Change in provision for rehabilitation cost	93 736	2 774 772
Interest cost	1 755 382	2 440 494
Expenditure for the year	-	-
<b>Total provision 30 June</b>	<b>57 801 084</b>	<b>55 951 967</b>
Less: Transfer of Current Portion to Current Provisions	-	-
<b>Balance 30 June 2016</b>	<b>57 801 084</b>	<b>55 951 967</b>

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

	Klaver	Vanrhynsdorp	Vredendal	Lutzville	Strandfontein
Rehabilitation Area(m2)	12 190	25 850	50 460	29 170	7 750
P&G	376 543	1 176 485	918 671	597 232	224 023.76
Site Clearance ( R )	31 694	67 210	131 196	75 842	20 150.00
Storm Water Drainage ( R )	1 057 664	1 418 653	2 054 326	1 700 365	820 155.03
Capping ( R )	816 486	6 530 840	3 379 811	1 953 807	519 095.00
Leachate Management	286 752	375 617	671 305	524 783	229 624.67
Fencing	496 995	11 145	325 295	11 145	11 145.00
Other ( R )	391 299	826 897	475 738	456 252	453 261.55
Contingencies ( R )	306 613	957 995	748 060	486 317	182 419.35
Engineering ( R )	252 956	790 346	617 150	734 860	410 999.96
Site Supervision ( R )	324 052	853 675	569 773	142 080	113 760.00
<b>Total (Excl VAT)</b>	<b>4 341 055</b>	<b>13 008 863</b>	<b>9 891 324</b>	<b>6 682 683</b>	<b>2 984 634</b>
Rehab cost/m2	829.14	503.24	196.02	229.09	385.11
Estimated construction period(weeks)	12	16	20	16	12

	Doringbaai	Bitterfontein	Kilprand	Rietpoort	Nuwerus
Rehabilitation Area(m2)	10 290	4 570	1 790	820	3 170
P&G	256 099	276 836	149 882	96 365	134 296
Site Clearance ( R )	26 754	11 882	4 654	2 132	8 242
Storm Water Drainage ( R )	776 787	610 211	488 978	360 999	559 807
Capping ( R )	689 224	1 164 791	439 329	54 924	212 327
Leachate Management	325 366	179 374	126 478	99 501	167 737
Fencing	11 145	11 145	11 145	170 765	11 145
Other ( R )	373 613	423 552	483 154	372 253	462 928
Contingencies ( R )	208 538	225 424	122 047	78 469	109 355
Engineering ( R )	434 607	762 119	643 131	298 920	284 269
Site Supervision ( R )	115 488	123 840	96 384	111 456	89 664
<b>Total (Excl VAT)</b>	<b>3 217 621</b>	<b>3 789 173</b>	<b>2 565 181</b>	<b>1 645 782</b>	<b>2 039 769</b>
Rehab cost/m2	312.69	829.14	1 433.06	2 007.05	643.46
Estimated construction period(weeks)	12	12	8	9	8

	Ebenhaeser	Koekenaap
Rehabilitation Area(m2)	3 840	5 000
P&G	203 674	406 417
Site Clearance ( R )	9 984	13 000
Storm Water Drainage ( R )	737 928	904 594
Capping ( R )	257 203	1 270 550
Leachate Management	169 852	248 138
Fencing	279 845	466 695
Other ( R )	382 197	383 675
Contingencies ( R )	165 849	330 939
Engineering ( R )	507 982	730 878
Site Supervision ( R )	74 880	90 720
<b>Total (Excl VAT)</b>	<b>2 789 394</b>	<b>4 845 607</b>
Rehab cost/m2	726.40	969.12
Estimated construction period(weeks)	8	10

**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

	Estimated Decommission Date	2017 R	2016 R
Location			
Klawer	31/03/2024	4 341 055	4 081 194
Vanrhynsdorp	30/06/2022	13 008 863	12 224 175
Vredendal	31/03/2024	9 891 324	9 199 613
Lutzville	22/04/2024	6 682 683	7 405 296
Strandfontein	26/05/2024	2 984 634	3 244 309
Dooringbaai	31/03/2024	3 217 621	3 155 104
Bitterfontein	28/08/2024	3 789 173	3 568 365
Kliprand	29/08/2024	2 565 181	2 420 050
Rietpoort	29/09/2024	1 645 782	1 551 235
Nuwerus	19/06/2024	2 039 769	1 920 301
Ebenhaasar	19/05/2024	2 789 394	2 624 066
Koekenaap	07/11/2024	4 845 607	4 557 358
		<b>57 801 087</b>	<b>55 951 966</b>

**5 NON-CURRENT EMPLOYEE BENEFITS**

Post Retirement Benefits - note 5.1

Long Service Bonuses - note 5.2

**Total Non-current Employee Benefit Liabilities**

25 873 624	25 677 825
4 797 865	4 967 600
<b>30 671 489</b>	<b>30 645 425</b>

**Post Retirement Benefits**

Balance 1 July

Contribution for the year

Interest Cost

Expenditure for the year

Actuarial Loss / (Gain)

**Total post retirement benefits 30 June**

26 716 017	24 847 894
1 394 757	1 234 488
2 439 510	2 110 025
(1 085 504)	(1 006 645)
(2 376 846)	(489 745)
<b>27 087 934</b>	<b>26 716 017</b>

Less: Transfer of Current Provision - note 7

**Balance 30 June**

(1 214 310)	(1 038 192)
<b>25 873 624</b>	<b>25 677 825</b>

**Long Service Bonuses**

Balance 1 July

Contribution for the year

Interest Cost

Expenditure for the year

Actuarial Loss/(Gain)

**Total long service 30 June**

5 446 453	4 695 477
520 654	458 858
465 775	373 580
(325 605)	(218 808)
(889 868)	137 346
<b>5 217 409</b>	<b>5 446 453</b>

Less: Transfer of Current Provision - note 7

**Balance 30 June**

(419 544)	(478 853)
<b>4 797 865</b>	<b>4 967 600</b>

Balance 1 July

Contribution for the year

Interest cost

Expenditure for the year

Actuarial Loss/(Gain)

**Total employee benefits 30 June**

32 162 470	29 543 371
1 915 411	1 693 346
2 905 285	2 483 605
(1 411 109)	(1 225 453)
(3 266 714)	(332 399)
<b>32 305 343</b>	<b>32 162 470</b>

Less: Transfer of Current Provision - note 7

**Balance 30 June**

(1 633 854)	(1 517 045)
<b>30 671 489</b>	<b>30 645 425</b>

**5.1 Post Retirement Benefits**

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members

In-service (employee) non-members

Continuation members (e.g. Retirees, widows, orphans)

**Total Members**

2017 Employees	2016 Employees
111	118
54	56
31	30
<b>196</b>	<b>204</b>

**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R	2015 R	2014 R
The liability in respect of past service has been estimated to be as follows:				
In-service members	10 844 723	11 423 790	9 216 529	7 561 057
In-service non-members	1 963 351	1 770 364	2 482 585	2 794 297
Continuation members	14 279 860	13 521 863	13 148 779	10 697 865
<b>Total Liability</b>	<b>27 087 934</b>	<b>26 716 017</b>	<b>24 847 893</b>	<b>21 053 219</b>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2013 R
In-service members	6 115 102
In-service non-members	2 041 224
Continuation members	10 463 649
<b>Total Liability</b>	<b>18 619 975</b>

History of experience adjustments were calculated as follows:

	2017	2016	2015	2014	2013
Liabilities: (Gain) / loss	833 000	64 000	1 838 000	361 000	(645 000)
Assets: Gain / (loss)	-	-	-	-	-

The Municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;  
LA Health;  
Samwumed;  
Keyhealth, and  
Hosmed

Key actuarial assumptions used:

	%	%
i) <b>Rate of Interest</b>		
Discount rate	9.51%	9.31%
Health Care Cost Inflation Rate	7.81%	8.38%
Net Effective Discount Rate	1.58%	0.85%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

- ii) **Mortality rates**  
Mortality during employment - SA 85-90  
Mortality post-retirement - PA90-1
- iii) **Normal retirement age**  
It has been assumed that in-service members will retire at age 65, which then implicitly allows for expected rates of early and ill-health retirement.
- iv) **Actuarial Valuation Method**  
The Projected Unit Credit Method has been used to value the liabilities.
- v) **Expected rate of salary increases**  
2017/2018 - average CPI (Feb 2016 – Jan 2017) + 1 per cent  
2018/2019 - average CPI (Feb 2017 – Jan 2018) + 1 per cent

	2017 R	2016 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	26 344 098	26 716 017
<b>Total Liability</b>	<b>26 344 098</b>	<b>26 716 017</b>

The fund is wholly unfunded.

The Municipality recognises the full increase in this defined benefit liability immediately as per GRAP 25, Employee Benefits.

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	26 716 017	24 847 894
Total expenses	2 748 763	2 337 868
Current service cost	1 394 757	1 234 488
Interest Cost	2 439 510	2 110 025
Benefits Paid	(1 085 504)	(1 006 645)
Actuarial (gains)/losses	(2 376 846)	(469 745)
Present value of fund obligation at the end of the year	27 087 934	26 716 017
Less: Transfer of Current Portion - note 7	(1 214 310)	(1 038 192)
<b>Balance 30 June</b>	<b>25 873 624</b>	<b>25 677 825</b>

**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**Sensitivity Analysis on the Accrued Liability**

Assumption	In-service members liability R	Continuation members liability R	Total liability R
Central Assumptions	12 808 000	14 280 000	27 088 000

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability R	Continuation members liability R	Total liability R	Change%
Health care inflation	+1%	15 735 000	15 598 000	31 333 000	16%
Health care inflation	-1%	10 523 000	13 126 000	23 649 000	-13%
Discount rate	+1%	10 573 000	13 153 000	23 726 000	-12%
Discount rate	-1%	15 714 000	15 589 000	31 303 000	16%
Post-retirement mortality	-1 year	13 251 000	14 870 000	28 121 000	4%
Average retirement age	-1 year	13 937 000	14 280 000	28 217 000	4%
Continuation of membership at retirement	-10%	11 186 000	14 280 000	25 466 000	-6%

**Sensitivity Analysis on the Current-Service and Interest Cost**

Assumption	Change	Current Service Cost R	Interest Cost R	Total R	Change %
Central Assumptions		1 394 800	2 439 500	3 834 300	
Health care inflation	+1%	1 738 300	2 850 500	4 588 800	20%
Health care inflation	-1%	1 130 900	2 108 900	3 239 800	-16%
Discount rate	+1%	1 145 300	2 341 200	3 486 500	-9%
Discount rate	-1%	1 722 800	2 544 600	4 267 400	11%
Post-Retirement mortality	-1 year	1 446 100	2 540 000	3 986 100	4%
Average retirement age	-1 year	1 390 500	2 558 100	3 948 600	3%
Continuation of Membership at retirement	10%	1 228 600	2 289 600	3 518 200	-8%

History of liabilities and assets	2017	2016	2015	2014	2013
Accrued Liability	26 344 098	26 716 017	24 847 893	21 053 000	18 620 000
Fair value of plan assets		-	-	-	-
Surplus	26 344 098	26 716 017	24 847 893	21 053 000	18 620 000

**5.2 Long Service Awards**

The Long Service Award plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

2017 Employees	2016 Employees
390	395

Key actuarial assumptions used:

i) Rate of Interest	2017 %	2016 %
Discount rate	8.66%	8.94%
General Salary Inflation (long-term)	6.49%	7.77%
Net Effective Discount Rate applied to salary-related Long Service Awards	2.04%	1.08%

**ii) Actuarial Valuation Method**

The Projected Unit Credit Method has been used to value the liabilities.

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

	2017 R	2016 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	5 217 409	5 446 453
Net liability	5 217 409	5 446 453

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2017 R	2016 R	2015 R	2014 R	2013 R
Total Liability	5 217 409	5 446 409	4 695 433	4 426 598	3 708 407

**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

History of experience adjustments were calculated as follows:

	2017	2016	2015	2014	2013
Liabilities: (Gain) / loss	282 649	248 501	(72 616)	262 519	45 289
Assets: Gain / (loss)	-	-	-	-	-

The municipality performed their first actuarial valuation on 30 June 2013. Thus there are no experience adjustment figures available on or before 30 June 2013 to fully comply with GRAP 25

	2017 R	2016 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	5 446 453	4 695 477
Total expenses	660 824	613 630
Current service cost	520 654	458 858
Interest Cost	465 775	373 580
Benefits Paid	(325 605)	(218 808)
Actuarial (gains)/losses	(889 868)	137 346
Present value of fund obligation at the end of the year	5 217 409	5 446 453
Less: Transfer of Current Portion - note 7	(419 544)	(478 853)
Balance 30 June	4 797 865	4 967 600

**Sensitivity Analysis on the Unfunded Accrued Liability**

Assumption	Change	Liability R	Change%
Central assumptions		5 217 000	
General salary inflation	+1%	5 640 000	8%
General salary inflation	-1%	4 841 000	-7%
Discount Rate	+1%	4 829 000	-7%
Discount Rate	-1%	5 662 000	9%
Average retirement age	- 2 yrs	4 703 000	-10%
Average retirement age	+ 2 yrs	5 813 000	11%
Withdrawal rates	-50%	6 228 000	19%

**Sensitivity Analysis on the Current- Service and Interest Cost**

Assumption	Change	Current Service Cost R	Interest Cost R	Total R	Change %
Central assumptions		520 700	465 800	986 500	
General salary inflation	+1%	574 300	506 300	1 080 600	10%
General salary inflation	-1%	473 800	429 800	903 600	-8%
Discount Rate	+1%	476 800	476 300	953 100	-3%
Discount Rate	-1%	571 700	451 900	1 023 600	4%
Average retirement age	- 2 yrs	472 700	416 700	889 400	-10%
Average retirement age	+ 2 yrs	580 300	529 500	1 109 800	12%
Withdrawal rates	-50%	681 100	559 000	1 240 100	26%

History of liabilities and assets	2017	2016	2015	2014	2013
Accrued liability	5 217 409	5 446 453	4 695 477	4 426 598	3 708 407
Fair value of plan asset	-	-	-	-	-
Surplus/(Deficit)	5 217 409	5 446 453	4 695 477	4 426 598	3 708 407

**5.3 Retirement funds**

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined by GRAP 25

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Pension Fund and Cape Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.



**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**CAPE JOINT PENSION FUND**

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2014 revealed that the fund is in a sound financial position with a funding level of 101.7% (30 June 2013 - 99.2%)

Contributions paid recognised in the Statement of Financial Performance

2017	2016
R	R
29 119	27 469

**CAPE RETIREMENT FUND**

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in sound financial position with a funding level of 153.1% (30 June 2015 -153.1%).

Contributions paid recognised in the Statement of Financial Performance

9 602 461	9 238 590
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**DEFINED CONTRIBUTION FUNDS**

Council contribute to the Municipal Council Pension Fund, SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

940 483	901 975
---------	---------

**6 CONSUMER DEPOSITS**

Water and Electricity  
Total Consumer Deposits

2017	2016
R	R
4 451 963	4 111 726
4 451 963	4 111 726

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

**7 CURRENT EMPLOYEE BENEFITS**

Current Portion of Post Retirement Benefits - note 5  
Current Portion of Long-Service Provisions - note 5  
Staff Leave  
Staff Bonuses  
Pension  
Total Current Employee Benefits

1 214 310	1 038 192
419 544	478 853
5 595 781	4 939 364
2 611 332	2 417 488
33 979	34 517
9 874 946	8 908 414

The movement in current employee benefits are reconciled as follows:

**7.1 Staff Leave**

Balance at beginning of year  
Contribution to current portion  
Expenditure Incurred  
Balance at end of year

4 939 364	4 554 751
1 271 542	875 733
(615 124)	(491 121)
5 595 781	4 939 364

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

**7.2 Bonuses Accrued**

Balance at beginning of year  
Contribution to current portion  
Expenditure Incurred  
Balance at end of year

2017	2016
R	R
2 417 488	2 154 840
5 294 107	4 616 459
(5 100 263)	(4 353 811)
2 611 332	2 417 488

Bonuses are being paid to all municipal staff. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

**7.3 Pension**

Balance at beginning of year  
Contribution to current portion  
Expenditure Incurred  
Balance at end of year

2017	2016
R	R
34 517	34 517
-	-
(538)	-
33 979	34 517

Pension payments to staff who did not belong to a pension fund in 1994, according to a formula prescribed by a collective agreement. Payment of the amount will occur when respective employees retire. There is no possibility of reimbursement.

**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

		2017 R	2016 R
<b>8</b>	<b>PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
	Trade Payables	2 740	8 777 108
	Pre-paid electricity	0	371 551
	Sundry Creditors	4 133 730	6 616 961
	Payments received in advance	2 731 549	2 466 352
	Retentions	1 677 976	1 661 179
	<b>Total Trade Payables</b>	<b>8 545 995</b>	<b>19 893 151</b>

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary

All payables are unsecured.

Sundry creditors include sundry deposits for halls, builders and housing deposits.

The municipality is in a position to settle its financial obligations as and when they become due in the normal course of business

<b>9</b>	<b>UNSPENT TRANSFERS AND SUBSIDIES</b>		
	Unspent Transfers and Subsidies	1 659 814	810 703
	National Government Grants	-	-
	Provincial Government Grants	1 659 814	810 703
	District Municipality	-	-
	Other Sources	-	-
	Less: Unpaid Transfers and Subsidies	810 155	-
	National Government Grants	810 155	-
	Provincial Government Grants	-	-
	District Municipality	-	-
	Other Sources	-	-
	<b>Total Unspent Transfers and Subsidies</b>	<b>849 659</b>	<b>810 703</b>

Refer to note 20 for a detail reconciliation of grants.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

See appendix "E" for reconciliation of grants from other spheres of government. The Municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

<b>10</b>	<b>TAXES</b>		
<b>10.1</b>	<b>VAT PAYABLE</b>		
	VAT Output in suspense	4 130 115	4 991 381
	Less: Contribution to Provision for Doubtful Debt impairment	(3 461 896)	(3 026 482)
	<b>Total VAT Payable</b>	<b>668 218</b>	<b>1 964 899</b>
<b>10.2</b>	<b>VAT RECEIVABLE</b>		
	VAT Input in suspense	1 106 197	1 920 312
	<b>Total VAT Receivable</b>	<b>1 106 197</b>	<b>1 920 312</b>
<b>10.3</b>	<b>Net VAT Receivable/(Payable)</b>	<b>437 979</b>	<b>(44 587)</b>

VAT is payable on the receipts basis. VAT is paid over to SARS once payment is received from debtors.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

## 11 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2017

## Reconciliation of Carrying Value

Reconciliation of Carrying Value															
	Transfer of			COST			Accumulated Depreciation and Impairment Losses								Carrying Value R
	Opening Balance R	Functions Additions R	Revaluation R	Contributing PPE R	Under Construction R	Transfers from R	Disposals R	Closing Balance R	Opening Balance R	Depreciation Charge R	Transfers R	Disposals R	Impairments R	Closing Balance R	
Land and Buildings	53 203 920	-	869 421	-	-	-	-	54 073 341	3 421 258	405 166	-	-	-	3 826 453	50 246 888
Land	14 259 582	-	750 000	-	-	-	-	15 009 582	-	-	-	-	-	-	15 009 582
Buildings	38 944 338	-	118 421	-	-	-	-	39 063 759	3 421 258	405 196	-	-	-	3 826 453	35 237 305
Infrastructure	456 350 568	-	14 377 101	-	18 322 928	7 311 802	(1 236 471)	465 126 030	93 889 922	11 032 901	-	(571 248)	(18 815)	104 332 750	390 793 269
Storm water and Roads	117 276 913	-	11 021 780	9 783 329	-	-	(739 646)	137 282 477	21 599 489	3 235 933	-	(359 177)	-	24 475 244	112 907 293
Sewerage	175 938 788	-	86 202	5 968 410	-	(218 167)	(205 471)	186 467 028	20 599 193	3 124 309	-	(93 080)	-	23 720 445	164 738 183
Electricity	44 868 122	-	2 617 498	-	-	710 716	(6 827)	48 277 359	17 059 779	1 173 429	-	(4 926)	-	18 238 282	30 049 087
Water	88 183 857	-	412 905	-	2 171 189	-	(224 527)	90 570 448	19 103 587	1 292 863	-	(114 087)	-	20 282 353	70 288 085
Solid Waste Disposal	234 887	-	145 021	-	-	76 206	-	674 281	105 913	-	21 803	-	-	128 716	545 585
Landfill Sites	28 759 091	-	93 736	-	-	-	-	29 693 827	15 322 951	2 184 564	-	-	(18 815)	17 488 710	12 965 117
Community Assets	97 807 814	-	1 418 533	-	-	-	-	99 226 347	4 895 621	646 865	-	-	-	5 542 486	93 683 861
Parks and Gardens	21 438 049	-	-	-	-	-	-	21 438 049	82 109	30 845	-	-	-	112 955	21 325 084
Libraries	2 139 405	-	314 500	-	-	-	-	2 453 905	182 876	66 890	-	-	-	249 556	2 204 350
Recreation Grounds	44 296 338	-	1 025 403	-	-	-	-	45 321 711	2 304 639	295 026	-	-	-	2 599 665	42 722 046
Taxi Ranks & Parking Areas	5 252 500	-	-	-	-	-	-	5 252 500	97 018	10 810	-	-	-	107 829	5 144 671
Cemeteries	685 000	-	-	-	-	-	-	685 000	1 890	210	-	-	-	2 100	682 900
Community Buildings	26 985 551	-	78 630	-	-	-	-	24 074 181	2 227 089	243 293	-	-	-	2 470 382	21 603 799
Other Assets	26 983 400	-	1 366 613	-	-	-	-	27 977 992	14 208 111	1 481 972	-	(252 120)	-	15 437 963	12 540 029
Office Equipment	3 628 989	-	204 371	-	-	-	-	3 833 360	2 292 455	219 499	-	(117 337)	-	2 394 617	1 567 173
Motor vehicles	20 319 349	-	483 858	-	-	-	-	20 803 207	10 405 540	1 069 137	-	-	-	11 474 077	9 328 530
Plant & Equipment	2 237 783	-	322 122	-	-	-	-	2 401 904	1 341 022	154 828	-	(115 595)	-	1 380 284	1 021 720
Computer equipment	488 179	-	355 161	-	-	-	-	811 010	169 094	38 509	-	(19 198)	-	188 405	622 605
	634 345 803	-	18 031 598	-	18 322 928	7 311 802	-	676 403 710	116 414 912	13 566 934	-	(622 368)	(18 815)	123 139 653	547 264 046
	25 249 635	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Municipality.

The effect of the Change in Accounting estimates due to the review of useful lives and residual values is as follows:

Increase / (Decrease) in depreciation on other assets for the year  
 Increase / (Decrease) in depreciation on infrastructure assets for the year

The change in accounting estimate for Other assets in 2018 and 2019, are based on the assumption that the residual values will remain unchanged.

	2016	2017	2018
R	R	R	R
(597 381)	(947 192)	(765 714)	
(6 759)	(20 965)	(18 247)	
(603 120)	(968 158)	(784 961)	

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

30 JUNE 2016

## Reconciliation of Carrying Value

Transfer of		COST										Accumulated Depreciation and Impairment Losses									
		Opening Balance R	Functions R	Additions R	Revaluation R	Contributing PPE R	Under Construction R	Transfers from R	Disposals R	Closing Balance R	Opening Balance R	Depreciation Charge R	Transfers R	Disposals R	Impairments R	Closing Balance R	Carrying Value R				
Land and Buildings																					
	59 062 719	-	-	158 701	18 000	-	-	(35 500)	-	53 203 920	3 017 300	403 958	-	-	-	3 421 258	49 762 692				
Land	14 277 062	-	-	-	18 000	-	-	(35 500)	-	14 259 562	-	-	-	-	-	-	14 259 562				
Buildings	38 785 637	-	-	158 701	-	-	-	(35 500)	-	38 944 336	3 017 300	403 958	-	-	-	3 421 258	35 523 080				
Infrastructure																					
	404 938 670	-	-	22 804 886	-	27 281 333	2 381 965	-	(856 185)	456 350 658	84 140 331	10 068 595	-	(212 570)	(106 435)	93 889 922	362 460 746				
Storm water and Roads	97 441 303	-	-	8 433 164	-	11 536 261	-	-	(133 815)	117 276 913	18 829 471	2 848 773	-	(80 755)	-	21 598 489	95 678 424				
Sewerage	184 622 105	-	-	1 259 188	-	9 645 952	534 529	-	(598 886)	175 938 788	17 843 195	2 910 943	-	(55 844)	-	20 698 183	155 240 595				
Electricity	41 817 002	-	-	1 893 383	-	1 315 789	-	-	(40 062)	44 935 122	15 788 868	1 307 739	-	(16 828)	-	17 059 779	27 686 343				
Water	73 873 054	-	-	8 203 369	-	6 089 120	131 046	-	(123 322)	88 163 657	18 037 990	1 124 740	-	(59 142)	-	19 103 597	69 080 280				
Solid Waste Disposal	199 887	-	-	36 000	-	-	-	-	-	234 887	53 281	13 632	-	-	-	106 913	127 974				
Landfill Sites	28 985 319	-	-	2 714 172	-	-	-	-	-	29 760 051	13 597 528	1 661 858	-	-	(106 435)	15 322 951	14 437 130				
Community Assets																					
	101 829 516	-	-	1 908 298	1 274 000	-	-	(7 201 000)	-	97 807 814	4 612 453	597 565	(314 400)	-	-	4 885 621	92 812 193				
Parks and Gardens	21 698 160	-	-	1 048 889	764 000	-	-	(2 071 000)	-	21 439 049	69 658	12 451	-	-	-	82 109	21 356 940				
Libraries	1 973 320	-	-	105 035	-	-	-	-	-	2 139 406	122 359	60 537	-	-	-	182 876	1 956 530				
Recreation Grounds	43 000 873	-	-	632 435	-	-	-	-	-	44 296 308	2 082 726	271 913	-	-	-	2 304 639	41 991 659				
Taxi Ranks & Parking Areas	5 252 500	-	-	-	-	-	-	-	-	5 252 500	86 208	10 810	-	-	-	97 018	5 185 482				
Cemeteries	685 000	-	-	-	-	-	-	-	-	685 000	1 680	210	-	-	-	1 890	683 110				
Community Buildings	26 538 643	-	-	59 809	507 000	-	-	(5 130 000)	-	23 995 551	2 289 842	241 647	(314 400)	-	-	2 227 089	21 766 462				
Other Assets																					
	24 735 457	-	-	2 716 947	-	-	-	-	(481 004)	26 983 400	12 710 722	1 794 034	-	(296 644)	-	14 208 111	12 775 289				
Office Equipment	3 873 654	-	-	207 156	-	-	-	-	(252 720)	3 928 089	2 169 434	271 319	-	(168 258)	-	2 292 455	1 635 595				
Balance Previously Reported	3 832 794	-	-	207 156	-	-	-	-	(252 720)	3 767 230	2 121 038	262 248	-	(168 258)	-	2 214 988	1 572 241				
Correction of error see note - 37.1 (a)	140 860	-	-	-	-	-	-	-	-	140 860	68 386	9 070	-	-	-	77 468	53 383				
Motor vehicles																					
	18 126 825	-	-	2 244 163	-	-	-	-	(50 738)	20 319 349	9 131 014	1 287 760	-	(23 254)	-	10 405 540	9 815 809				
Balance Previously Reported	18 121 857	-	-	2 244 163	-	-	-	-	(50 738)	20 315 281	9 129 116	1 287 509	-	(23 254)	-	10 403 371	9 811 511				
Correction of error see note - 37.1 (a)	4 068	-	-	-	-	-	-	-	-	4 068	1 898	271	-	-	-	2 169	1 899				
Plant & Equipment																					
	2 268 792	-	-	102 154	-	-	-	-	(134 163)	2 237 783	1 241 829	185 144	-	(85 951)	-	1 341 022	886 761				
Balance Previously Reported	2 226 671	-	-	102 154	-	-	-	-	(134 163)	2 194 662	1 230 505	182 252	-	(85 951)	-	1 317 226	877 436				
Correction of error see note - 37.1 (a)	43 121	-	-	-	-	-	-	-	-	43 121	20 904	2 891	-	-	-	23 796	18 325				
Computer equipment																					
	385 086	-	-	165 475	-	-	-	-	(53 382)	498 178	148 444	39 792	-	(19 142)	-	169 094	329 085				
Balance Previously Reported	333 295	-	-	165 475	-	-	-	-	(53 382)	445 387	112 408	37 468	-	(19 142)	-	130 734	314 654				
Correction of error see note - 37.1 (a)	52 792	-	-	-	-	-	-	-	-	52 792	36 036	2 324	-	-	-	39 360	14 432				
Total																					
	564 596 362	-	-	27 389 832	1 269 000	27 281 333	2 381 965	(7 208 500)	(1 347 188)	634 345 803	104 480 805	12 864 156	(314 400)	(509 214)	(106 435)	116 414 512	517 930 851				

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Municipality.

The effect of the Change in Accounting estimates due to the review of useful lives and residual values is as follows:

Increase / (Decrease) in depreciation on other assets for the year

Increase / (Decrease) in depreciation on infrastructure assets for the year

	2016	2017	2018
	R	R	R
	(597 361)	(947 192)	(785 714)
	(5 159)	(20 955)	(19 247)
	(603 120)	(968 146)	(784 961)

The change in accounting estimate for Other assets in 2016 and 2019, are based on the assumption that the residual values will stay the same.

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
<b>12 INVESTMENT PROPERTY</b>		
Net Carrying amount at 1 July	68 841 582	65 961 831
Disposals - current year	(1 150 000)	(877 218)
Transfers from Property Plant and Equipment	-	6 922 100
Transfers from Inventory	-	-
Fair value gain/(losses)	-	(3 165 131)
Carrying amount at 30 June	<u>67 691 582</u>	<u>68 841 582</u>
Revenue derived from the rental of investment property	<u>419 119</u>	<u>80 899</u>
Operating expenditure incurred on properties generating revenue	<u>32 801</u>	<u>29 521</u>
There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal. A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Municipality. There are no contractual obligation to purchase, construct or develop investment property or for repairs, maintenance or enhancements.		
<b>13 INTANGIBLE ASSETS</b>		
Computer Software and Rights		
Net Carrying amount at 1 July	247 343	282 487
Cost	547 669	547 669
Accumulated Amortisation	(300 326)	(265 182)
Amortisation	(35 143)	(35 143)
Net Carrying amount at 30 June	212 200	247 343
Cost	547 669	547 669
Accumulated Amortisation	(335 469)	(300 326)
Computer Software were assets to have a life span of 15 years, Rights has an indefinite life span. There are no internally generated intangible assets at reporting date. There are no intangible assets whose title is restricted. There are no intangible assets pledged as security for liabilities There are no contractual commitments for the acquisition of intangible assets.		
<b>14 LONG-TERM RECEIVABLES</b>		
Receivables with repayment arrangements at amortised cost	876 621	916 732
Less: Provision for Debt Impairment	(325 242)	(458 366)
Less: Current portion transferred to current receivables	(253 380)	(346 214)
Total Long Term Receivables	<u>297 998</u>	<u>112 151</u>
The provision for Debt Impairment could be allocated to the different classes of Long-Term Receivables as follows:		
Receivables subject to repayment arrangements	(325 242)	(458 366)
Total Provision for Debt Impairment	<u>(325 242)</u>	<u>(458 366)</u>
Receivables subject to repayment arrangements are debtors which are repaying their outstanding consumers accounts over a period of more than 12 months. There are no standard repayment terms, therefore no age analysis for long term receivables available.		
<b>15 INVENTORY</b>		
Consumable Stores - at cost	8 990	28 464
Water - at purification cost	435 350	423 564
Graves - at nett realisable value	46 200	54 035
Land Held for Resale - at cost	-	-
Total Inventory	<u>490 540</u>	<u>506 063</u>
No inventories were pledged as security for liabilities		

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

16

RECEIVABLES FROM EXCHANGE TRANSACTIONS

<i>Service Receivables</i>	52 590 401	50 571 082
Electricity	8 422 423	7 675 909
Water	7 090 404	8 790 227
Property Rentals	80 803	142 105
Waste Management	8 568 251	8 839 532
Waste Water Management	8 975 418	10 073 097
Other Arrears	19 453 102	15 050 212
<i>Other Receivables</i>		
Sundry Receivables	104 448	229 625
Total: Receivables from exchange transactions (before provision)	52 694 849	50 800 907
<b>Less:</b> Provision for Debt Impairment	(38 360 202)	(37 909 285)
Total: Receivables from exchange transactions (after provision)	14 334 646	12 891 621

Consumer debtors are receivable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.

The fair value of receivables approximate their carrying value.

Receivables to an amount of R4 million are pledged as security for financial liabilities.

	2017 R	2016 R
<b><u>(Electricity): Ageing</u></b>		
Current (0 - 30 days)	5 411 051	4 960 110
31 - 60 Days	1 764 510	1 139 101
61 - 90 Days	321 111	674 023
+ 90 Days	925 751	902 675
Total	8 422 423	7 675 909
<b><u>(Water): Ageing</u></b>		
Current (0 - 30 days)	1 053 716	906 386
31 - 60 Days	569 678	735 951
61 - 90 Days	335 447	552 872
+ 90 Days	5 131 563	6 595 018
Total	7 090 404	8 790 227
<b><u>(Property Rentals): Ageing</u></b>		
Current (0 - 30 days)	12 878	10 716
31 - 60 Days	3 946	3 896
61 - 90 Days	3 548	2 793
+ 90 Days	60 431	124 699
Total	80 803	142 105
<b><u>(Waste Management): Ageing</u></b>		
Current (0 - 30 days)	1 160 701	1 089 635
31 - 60 Days	625 965	533 100
61 - 90 Days	426 419	376 971
+ 90 Days	6 355 165	6 839 826
Total	8 568 251	8 839 532
<b><u>(Waste Water Management): Ageing</u></b>		
Current (0 - 30 days)	1 273 069	1 163 994
31 - 60 Days	668 452	596 247
61 - 90 Days	467 859	422 655
+ 90 Days	6 566 039	7 890 201
Total	8 975 419	10 073 097
<b><u>(Other): Ageing</u></b>		
Current (0 - 30 days)	1 433 411	1 364 155
31 - 60 Days	885 562	720 760
61 - 90 Days	624 717	443 486
+ 90 Days	16 509 412	12 521 810
Total	19 453 102	15 050 212

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
<b><u>(Total): Ageing</u></b>		
Current (0 - 30 days)	10 344 827	9 494 998
31 - 60 Days	4 518 112	3 729 055
61 - 90 Days	2 179 101	2 472 800
+ 90 Days	35 548 360	34 874 229
<b>Total</b>	<b>52 590 400</b>	<b>50 571 082</b>

	Residential	Industrial/ Commercial	National and Provincial Government
<b><u>Summary of Debtors by Customer Classification</u></b>			
<b>30 June 2017</b>			
Current (0 - 30 days)	5 070 580	4 227 803	1 046 445
31 - 60 Days	2 662 179	1 189 888	665 945
61 - 90 Days	1 921 069	228 007	30 025
+ 90 Days	34 558 606	870 455	119 299
Sub-total	44 212 434	6 516 252	1 861 714
<b>Less:</b> Provision for Debt Impairment	(37 109 385)	(1 035 962)	(214 855)
<b>Total debtors by customer classification</b>	<b>7 103 050</b>	<b>5 480 291</b>	<b>1 646 858</b>

	Residential	Industrial/ Commercial	National and Provincial Government
<b><u>Summary of Debtors by Customer Classification</u></b>			
<b>30 June 2016</b>			
Current (0 - 30 days)	7 933 079	784 555	777 363
31 - 60 Days	3 524 575	175 659	28 821
61 - 90 Days	2 449 354	18 943	4 503
+ 90 Days	34 197 922	514 399	161 908
Sub-total	48 104 930	1 493 556	972 596
<b>Less:</b> Provision for Debt Impairment	(37 366 533)	(542 742)	-
<b>Total debtors by customer classification</b>	<b>10 738 397</b>	<b>950 814</b>	<b>972 596</b>

	2017	2016
<b><u>Reconciliation of Provision for Debt Impairment</u></b>		
Balance at beginning of year	43 523 525	42 238 535
Contribution to provision - Exchange Transactions	9 431 094	11 139 134
Contribution to provision - Non Exchange Transactions	4 482 298	738 037
Bad Debts Written Off	(9 724 816)	(10 592 182)
<b>Balance at end of year</b>	<b>47 712 100</b>	<b>43 523 525</b>
Receivables from Exchange Transactions	38 360 202	37 909 285
Receivables from Non-Exchange Transactions	9 026 657	5 155 873
Long term receivables	325 242	458 366

17 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Taxes - Rates	8 548 057	7 419 957
Fines	4 350 885	3 240 366
Other Receivables	1 622 384	1 442 098
	14 521 326	12 102 421
<b>Less:</b> Provision for Debt Impairment	(9 026 660)	(5 155 873)
<b>Total Receivables from non-exchange transactions</b>	<b>5 494 666</b>	<b>6 946 548</b>

<b><u>(Rates): Ageing</u></b>		
Current (0 - 30 days)	2 446 286	2 148 199
31 - 60 Days	669 679	594 186
61 - 90 Days	327 169	279 739
+ 90 Days	5 104 924	4 397 834
<b>Total</b>	<b>8 548 057</b>	<b>7 419 957</b>

**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
<b>Summary of Debtors by Customer Classification</b>			
<b>30 June 2017</b>			
Current (0 - 30 days)	1 914 371	525 017	6 898
31 - 60 Days	552 735	110 046	6 898
61 - 90 Days	297 813	22 458	6 898
+ 90 Days	3 131 443	112 783	1 860 697
<b>Sub-total</b>	<b>5 896 362</b>	<b>770 304</b>	<b>1 881 391</b>
<b>Less:</b> Provision for Debt Impairment	<b>(3 376 143)</b>	<b>(130 612)</b>	<b>(1 691 036)</b>
<b>Total debtors by customer classification</b>	<b>2 520 219</b>	<b>639 692</b>	<b>190 355</b>

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
<b>Summary of Debtors by Customer Classification</b>			
<b>30 June 2016</b>			
Current (0 - 30 days)	2 093 464	41 903	12 832
31 - 60 Days	573 558	7 795	12 832
61 - 90 Days	239 796	6 779	33 164
+ 90 Days	2 574 555	10 380	1 812 899
<b>Sub-total</b>	<b>5 481 373</b>	<b>66 857</b>	<b>1 871 727</b>
<b>Less:</b> Provision for Debt Impairment	<b>(2 814 441)</b>	<b>(21 902)</b>	<b>-</b>
<b>Total debtors by customer classification</b>	<b>2 666 932</b>	<b>44 955</b>	<b>1 871 727</b>

**18 OPERATING LEASE ARRANGEMENTS**

**18.1 The Municipality as Lessor (Asset)**

	<b>2017 R</b>	<b>2016 R</b>
Balance on 1 July	82 341	58 244
Movement during the year	(751)	24 097
<b>Balance on 30 June</b>	<b>81 591</b>	<b>82 341</b>

At the Statement of Financial Position date, where the Municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	100 229	112 263
1 to 5 Years	372 482	283 199
More than 5 Years	192 387	275 623
<b>Total Operating Lease Arrangements</b>	<b>665 098</b>	<b>671 085</b>

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The Municipality is leasing land and buildings to different rate payers for periods ranging from 36 to 120 months with escalations of between 3% and 10% per year.

The leases are in respect of land and buildings being leased out for previous ranging until 2019.

The municipality does not engage in any sub-lease arrangements.

The municipality did not receive any contingent rent during the year

**19 CASH AND CASH EQUIVALENTS**

**19.1 Assets**

Current Accounts	11 493 956	8 870 324
Call Investment deposits	1 752 093	1 634 352
Cash Floats	5 570	5 850
<b>Total Cash and Cash Equivalents - Assets</b>	<b>13 251 619</b>	<b>10 510 526</b>

**19.2 Liabilities**

Current Accounts	(9 135 563)	-
<b>Total Cash and Cash Equivalents - Liabilities</b>	<b>(9 135 563)</b>	<b>-</b>

**19.3 Net Balance**

	<b>4 116 056</b>	<b>10 510 526</b>
--	------------------	-------------------

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Call Investments Deposits to an amount of R1 752 093 are held to fund the Unspent Conditional Grants (2016: R1 634 352).

The Municipality has the following bank accounts:



**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>Current Accounts</b>		
ABSA Bank - Account Number 40-5057-5029	(8 955 608)	6 551 056
ABSA Bank - Account Number 40-7513-2844	3 963 222	730 915
ABSA Bank - Account Number 40-7512-9982	4 060 792	941 668
ABSA Bank - Account Number 40-7554-5657	2 187 669	633 158
ABSA Bank - Account Number 40-7670-7628	13 526	13 526
	<u>1 269 601</u>	<u>8 870 324</u>
<b>Call Deposits and Investments</b>		
Investec	1 752 093	1 634 352
 Details of current accounts are as follow:		
<b>ABSA Bank - Account Number 40-5057-5029</b>		
Cash book balance at beginning of year	6 551 056	5 407 428
Cash book balance at end of year	<u>(8 955 608)</u>	<u>6 551 056</u>
Bank statement balance at beginning of year	6 267 852	5 028 549
Bank statement balance at end of year	<u>6 079 890</u>	<u>6 267 852</u>
 <b>ABSA Bank - Account Number 40-7513-2844</b>		
Cash book balance at beginning of year	730 915	486 744
Cash book balance at end of year	<u>3 963 222</u>	<u>730 915</u>
Bank statement balance at beginning of year	730 915	486 744
Bank statement balance at end of year	<u>3 963 222</u>	<u>730 915</u>
 <b>ABSA Bank - Account Number 40-7512-9982</b>		
Cash book balance at beginning of year	941 668	2 902 302
Cash book balance at end of year	<u>4 060 792</u>	<u>941 668</u>
Bank statement balance at beginning of year	941 668	2 902 302
Bank statement balance at end of year	<u>4 060 792</u>	<u>941 668</u>
 <b>ABSA Bank - Account Number 40-7554-5657</b>		
Cash book balance at beginning of year	633 158	1 930 324
Cash book balance at end of year	<u>2 187 669</u>	<u>633 158</u>
Bank statement balance at beginning of year	633 158	1 930 324
Bank statement balance at end of year	<u>2 187 669</u>	<u>633 158</u>
 <b>ABSA Bank - Account Number 40-7670-7628</b>		
Cash book balance at beginning of year	13 526	-
Cash book balance at end of year	<u>13 526</u>	<u>13 526</u>
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	<u>-</u>	<u>-</u>
 <b>ABSA Bank - Account Number 40-9041-7837</b>		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	<u>1 088 791</u>	<u>-</u>
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	<u>2 188 405</u>	<u>-</u>
 <b>ABSA Bank - Account Number 40-9041-7837</b>		
Cash book balance at beginning of year	1 634 352	-
Cash book balance at end of year	<u>1 752 093</u>	<u>1 634 352</u>
Bank statement balance at beginning of year	1 634 352	-
Bank statement balance at end of year	<u>1 752 093</u>	<u>1 634 352</u>

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

20

PROPERTY RATES

2017  
R

2016  
R

Actual

Rateable Land and Buildings

Business and Commercial Property  
Industrial Property  
National Monuments  
Public Service Infrastructure Properties  
Residential Properties  
Small Holdings  
State-owned Properties  
Agricultural Properties  
Total Assessment Rates

5 810 019	4 138 529
2 006 767	1 063 569
-	561
94 157	99 326
21 189 844	20 273 171
656 755	831 274
5 129 063	4 279 518
8 208 244	6 244 249
43 094 849	36 930 197

Less: Revenue Foregone

Total Property Rates

(564 371)	(331 700)
42 530 478	36 598 497

Valuations - 1 July 2016

Rateable Land and Buildings

Domestic  
Business and Commercial Property  
Church  
Light Industrial  
Agricultural/Rural  
State-owned Properties  
Other - Pensioners etc.  
Total Assessment Rates

5 212 500	2 952 616 200	2 957 828 700
-	589 955 000	589 955 000
-	85 010 500	85 010 500
-	195 992 500	195 992 500
-	4 267 820 300	4 267 820 300
-	564 494 500	564 494 500
-	458 089 280	458 089 280
5 212 500	9 113 978 280	9 119 190 780

Rates:

Residential  
Commercial  
Agricultural (2010 - less 65% rebate)  
DMA Agricultural

0.007998 c/R	0.01044 c/R
0.010239 c/R	0.01044 c/R
0.001600 c/R	0.02611 c/R
0.000552 c/R	0.00055 c/R

Assessment Rates are levied on the value of land and improvements. The last valuation came into effect on 1 July 2016, and the next one will be implemented 1 July 2021. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

**MATSIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

21

**GOVERNMENT GRANTS AND SUBSIDIES**

**Unconditional Grants**

Equitable Share

**Conditional Grants**

Department of Mineral Resources

FMG

MIG

EPWP

CDW's

Library Services

FMSG

Public Transport Infrastructure

Municipal Capacity Building Grant

Municipal Service Delivery and Capacity Building Grant

WC Financial Support for IDP related Projects

Thusong services centres operational grant

Local Government Graduate Internship Grant

Human Settlements

Department of Sport and Culture

MSIG

DWAF

Municipal Infrastructure Support Grant

WC Financial Support for IDP related Projects

**Total Government Grants and Subsidies**

Government Grants and Subsidies - Capital

Government Grants and Subsidies - Operating

Revenue recognised per vote as required by Section 123 (c) of the MFMA

Equitable share

Executive and Council

Financial Services

Corporate Services

Community Services

Public Works and Basic Services

Development and Town Planning Services

Total

Based on the allocations set out in the Division of Revenue Act (DoRA), no significant changes in the level of government funding are expected over the ensuing 3 financial years.

**21.1 Equitable share**

Opening balance

Grants received

Conditions met - Operating

Conditions still to be met

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

**21.2 Local Government Financial Management Grant (FMG)**

Opening balance

Grants received

Conditions met - Operating

Conditions still to be met

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme

**21.3 Municipal Systems Improvement Grant**

Opening balance

Grants received

Grants repaid

Conditions met - Operating

Conditions met - Capital

Conditions still to be met/(Grant Expenditure to be recovered)

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

	2017 R	2016 R
Unconditional Grants	44 100 000	41 409 000
Equitable Share	44 100 000	41 409 000
Conditional Grants	35 234 043	36 219 434
Department of Mineral Resources	3 810 154	2 499 728
FMG	1 475 000	1 450 000
MIG	20 337 000	20 716 000
EPWP	1 119 000	1 000 000
CDW's	113 000	144 000
Library Services	6 226 000	5 680 000
FMSG	892 744	782 256
Public Transport Infrastructure	64 000	59 000
Municipal Capacity Building Grant	62 100	500 000
Municipal Service Delivery and Capacity Building Grant	837 086	-
WC Financial Support for IDP related Projects	137 959	-
Thusong services centres operational grant	100 000	200 000
Local Government Graduate Internship Grant	60 000	-
Human Settlements	-	-
Department of Sport and Culture	-	416 641
MSIG	-	929 768
DWAF	-	1 500 000
Municipal Infrastructure Support Grant	-	300 000
WC Financial Support for IDP related Projects	-	62 041
<b>Total Government Grants and Subsidies</b>	<b>79 334 043</b>	<b>77 628 434</b>
Government Grants and Subsidies - Capital	24 701 743	25 497 323
Government Grants and Subsidies - Operating	54 632 300	52 131 111
	<b>79 334 043</b>	<b>77 628 434</b>
Revenue recognised per vote as required by Section 123 (c) of the MFMA		
Equitable share	44 100 000	41 409 000
Executive and Council	18 701 434	27 281 333
Financial Services	75 616 127	63 111 287
Corporate Services	4 972 134	2 127 133
Community Services	32 470 007	33 280 986
Public Works and Basic Services	132 724 357	128 104 846
Development and Town Planning Services	538 094	1 577 011
<b>Total</b>	<b>309 122 153</b>	<b>296 691 595</b>
21.1 Equitable share		
Opening balance	-	-
Grants received	44 100 000	41 409 000
Conditions met - Operating	(44 100 000)	(41 409 000)
Conditions still to be met	-	-
21.2 Local Government Financial Management Grant (FMG)		
Opening balance	-	-
Grants received	1 475 000	1 450 000
Conditions met - Operating	(1 475 000)	(1 450 000)
Conditions still to be met	-	-
21.3 Municipal Systems Improvement Grant		
Opening balance	-	174 768
Grants received	-	930 000
Grants repaid	-	(175 000)
Conditions met - Operating	-	(892 077)
Conditions met - Capital	-	(37 691)
Conditions still to be met/(Grant Expenditure to be recovered)	-	-

**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>21.4 Municipal Infrastructure Grant (MIG)</b>		
Opening balance	-	-
Grants received	20 337 000	20 716 000
Conditions met - Capital	(20 337 000)	(20 716 000)
Conditions still to be met/(Grant Expenditure to be recovered)	-	-
The grant was used to upgrade infrastructure in previously disadvantaged areas.		
<b>21.5 Housing Grants</b>		
Opening balance	-	-
Grants received	898 000	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met/(Grant Expenditure to be recovered)	898 000	-
Housing grants was utilised for the development of erven and the erection of top structures.		
<b>21.6 Department of Mineral Resources</b>		
Opening balance	-	414 728
Grants received	3 000 000	2 500 000
Conditions met - Operating	(181 260)	-
Conditions met - Capital	(3 628 894)	(2 499 728)
Conditions still to be met/(Grant Expenditure to be recovered)	(810 154)	415 000
The National Electrification Grant was used for electrical connections in previously disadvantaged areas.		
<b>21.7 Other Grants</b>		
Opening balance	810 703	916 639
Grants received	10 461 000	10 518 000
Grants repaid	-	-
Conditions met - Operating	(8 876 040)	(8 380 034)
Conditions met - Capital	(735 849)	(2 243 904)
Write off - Irrecoverable grant expenditure	-	-
Conditions still to be met/(Grant Expenditure to be recovered)	1 659 814	810 701
Various grants were received from other spheres of government (e.g. Library Services Grant and Neighbourhood Development Grant).		
<b>21.8 Total Grants</b>		
Opening balance	810 701	1 506 135
Grants received	79 373 000	77 523 000
Grants repaid	-	(590 000)
Conditions met - Operating	(54 632 300)	(52 131 111)
Conditions met - Capital	(24 701 743)	(25 497 322)
Conditions still to be met/(Grant expenditure to be recovered)	849 658	810 701
Disclosed as follows:		
Unspent Conditional Government Grants and Receipts	1 659 814	810 703
Unpaid Conditional Government Grants and Receipts	(810 154)	-
<b>22 SERVICE CHARGES</b>		
Electricity	102 379 275	93 772 998
Service Charges	102 736 611	94 045 085
Less: Revenue foregone	(357 336)	(272 087)
Water	16 232 198	15 164 646
Service Charges	16 548 668	15 442 567
Less: Revenue foregone	(316 470)	(277 921)
Refuse removal	14 281 221	13 274 805
Service Charges	18 282 679	16 487 768
Less: Revenue foregone	(4 001 458)	(3 212 963)
Sewerage and Sanitation Charges	13 740 219	13 009 647
Service Charges	18 446 814	16 889 158
Less: Revenue foregone	(4 706 595)	(3 879 511)
Total Service Charges	146 632 912	135 222 096

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

		2017 R	2016 R
<b>23</b>	<b>SALES OF GOODS AND RENDERING OF SERVICES</b>		
	Advertising	31 272	32 677
	Application Fees - Town Planning	61 895	66 284
	Building Plan Fees	276 476	295 511
	Cemetery	287 073	435 306
	Cemetery Digging	1 350	6 680
	Encroachments	30 609	47 515
	Housing Redeemed	75 543	88 448
	Insurance Claims	132 026	156 308
	Photocopies	29 098	19 976
	Roadworthy Certificates	716 885	706 534
	Subscription Fees	3 244	482
	Sundry Income - Finance	793 437	1 984 179
	Valuation Certificates	115 321	104 995
	Other revenue	633 328	
	Telephone	39 803	57 957
	<b>Total Other Income</b>	<b>3 227 362</b>	<b>3 982 853</b>
<b>24</b>	<b>CONTRIBUTING PROPERTY PLANT AND EQUIPMENT</b>		
	Contribution Property Plant and Equipment	18 322 928	27 281 333
	<b>Total Contributing Property, Plant and Equipment</b>	<b>18 322 928</b>	<b>27 281 333</b>
	Department of Land Reforms and Department of Housing contributed towards the construction of infrastructure assets		
<b>25</b>	<b>FAIR VALUE ADJUSTMENTS</b>		
	Fair Value adjustments of Investment Property	-	(3 165 131)
		-	61 680
	<b>Total Fair Value Adjustments</b>	<b>-</b>	<b>(3 165 131)</b>
<b>26</b>	<b>RENTAL FROM FIXED ASSETS</b>		
	Investment Property	2 175 555	2 626 608
	Other rentals	1 445 291	1 355 952
	<b>Total Rental from Fixed Assets</b>	<b>3 620 846</b>	<b>3 982 560</b>
<b>27</b>	<b>INTEREST EARNED-EXTERNAL INVESTMENTS</b>		
	Bank	1 700 714	1 654 131
	<b>Total Interest Earned-External Investments</b>	<b>1 700 714</b>	<b>1 654 131</b>
<b>28</b>	<b>INTEREST EARNED-OUTSTANDING RECEIVABLES</b>		
	Trade Receivables	3 161 708	3 124 535
	<b>Total Interest Earned-Outstanding Receivables</b>	<b>3 161 708</b>	<b>3 124 535</b>
<b>29</b>	<b>EMPLOYEE RELATED COSTS</b>		
	Bonuses	5 294 107	4 616 459
	Contributions for UIF, pensions and medical aids	15 073 436	13 947 354
	Housing Subsidy	139 496	162 686
	Overtime	4 340 933	3 577 116
	Protective Clothing	541 695	467 651
	Salaries and Wages	69 012 656	64 254 187
	Skills Development Levy and Training	563 156	395 117
	Travel, motor car, telephone, assistance and other allowances	4 526 893	3 539 851
	Provision for Staff Leave	1 271 542	875 733
	Contribution to provision - Post Retirement Medical - Note 5	1 394 757	1 234 488
	Contribution to provision - Long Service Awards - Note 5	520 654	458 858
	<b>Total Employee Related Costs</b>	<b>102 679 324</b>	<b>93 529 500</b>

**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**29.1 KEY MANAGEMENT PERSONNEL**

The Municipal Manager, Chief Financial Officer and Director Technical Services are appointed on a 5 year fixed contract. There are no post-employment or termination benefits payable at the end of the contract period. All other Directors are permanently appointed.

**REMUNERATION OF KEY MANAGEMENT PERSONNEL**

**Remuneration of the Municipal Manager: DP LUBBE (Appointed 3 January 2017)**

	2017 R	2016 R
Basic Salary	420 026	-
Pension and UIF Contributions	892	-
Medical Aid Contributions	-	-
Performance Bonus	-	-
Motor Vehicle Allowance	165 893	-
Cellphone Allowance	5 797	-
Other Allowances and Benefits	77 843	-
<b>Total</b>	<b>670 451</b>	<b>-</b>

**Remuneration of the Chief Financial Officer: GRJ SEAS (Appointed 1 August 2016)**

Basic Salary	572 607	-
Pension and UIF Contributions	121 020	-
Medical Aid Contributions	38 710	-
Performance Bonus	-	-
Motor Vehicle Allowance	133 462	-
Cellphone Allowance	9 735	-
Other Allowances and Benefits	178 946	-
<b>Total</b>	<b>1 054 479</b>	<b>-</b>

**Remuneration of the Director Technical Services: J PEKEUR (Resigned 28 February 2017)**

Basic Salary	434 448	668 742
Pension and UIF Contributions	85 907	121 227
Medical Aid Contributions	29 788	41 119
Performance Bonus	172 658	154 903
Motor Vehicle Allowance	53 420	84 248
Cellphone Allowance	8 409	-
Other Allowances and Benefits	128 900	8 315
<b>Total</b>	<b>913 529</b>	<b>1 078 554</b>

**Remuneration of the Director Technical Services: R BASSON (Appointed 1 May 2017)**

Basic Salary	120 624	-
Pension and UIF Contributions	23 819	-
Medical Aid Contributions	-	-
Performance Bonus	-	-
Motor Vehicle Allowance	18 000	-
Cellphone Allowance	2 000	-
Other Allowances and Benefits	18 657	-
<b>Total</b>	<b>183 100</b>	<b>-</b>

**Remuneration of the Director Corporate Services: W CONRADIE**

Basic Salary	591 192	551 564
Pension and UIF Contributions	117 067	112 786
Medical Aid Contributions	46 452	42 692
Performance Bonus	86 284	65 978
Motor Vehicle Allowance	76 665	80 572
Cellphone Allowance	12 986	-
Other Allowances and Benefits	92	6 400
<b>Total</b>	<b>930 738</b>	<b>859 992</b>

**Remuneration of the Director Community Services: J SWARTZ**

Basic Salary	659 040	634 842
Pension and UIF Contributions	130 297	123 632
Medical Aid Contributions	44 394	42 430
Performance Bonus	92 878	-
Motor Vehicle Allowance	61 185	62 433
Cellphone Allowance	3 008	-
Other Allowances and Benefits	170 231	-
<b>Total</b>	<b>1 161 032</b>	<b>863 337</b>

**Remuneration of the Director Planning and Development: L PHILLIPS**

Basic Salary	657 459	525 875
Pension and UIF Contributions	1 785	1 785
Medical Aid Contributions	15 385	-
Performance Bonus	85 441	12 487
Motor Vehicle Allowance	133 951	135 444
Cellphone Allowance	12 000	-
Other Allowances and Benefits	14 764	187 055
<b>Total</b>	<b>920 785</b>	<b>862 646</b>

**MATSIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

		2017 R	2016 R
<b>30</b>	<b>REMUNERATION OF COUNCILLORS</b>		
	G STEPHAN	716 462	249 349
	A SINDAYMBA	580 633	249 349
	NS LOUW	555 605	-
	RJ NUTT	519 723	-
	WD LOFF	519 723	-
	AFK JOB	519 723	-
	P BOK	316 376	778 880
	WH NEL	300 075	627 278
	AW LINKS	232 418	-
	J DE JONGH	232 418	-
	M CAROSINI	232 418	-
	NM NGOBO	232 418	-
	MV CLOETE	232 418	-
	XP TSHETU	232 418	-
	DD JENNER	232 418	-
	MC WITBOOI	67 449	620 961
	MJ Smith	26 812	249 349
	F Bam	63 374	589 378
	EL Mqungqi	26 812	249 349
	AGM Julies	-	124 674
	C vd Westruis	26 812	249 349
	D Okhuis	26 812	235 273
	J Botha	63 374	589 378
	W Fortuin	63 374	480 605
	Y Cloete	26 812	249 349
	B Julies	26 812	249 349
	DR Fredericks	26 812	115 961
	<b>Total Councillors Remuneration</b>	<b>6 100 498</b>	<b>5 907 832</b>
	<b>Remuneration of councillors can be summarised as follows:</b>		
	Salaries	5 352 698	4 731 021
	Travel, motor car, telephone, assistance and other allowances	558 148	654 741
	Contributions for UIF, pensions and medical aids	189 652	522 069
	<b>Total Councillors' Remuneration</b>	<b>6 100 498</b>	<b>5 907 832</b>
	<b>Mayor</b>	<b>768 218</b>	<b>778 880</b>
	<b>Deputy Mayor</b>	<b>613 779</b>	<b>522 732</b>
	<b>Speaker</b>	<b>619 061</b>	<b>627 278</b>
	<b>Mayoral Committee</b>	<b>1 730 389</b>	<b>1 678 786</b>
	<b>Councillors</b>	<b>2 369 050</b>	<b>2 300 156</b>
	<b>Total Councillors' Remuneration</b>	<b>6 100 498</b>	<b>5 907 832</b>
	<b>In-kind Benefits</b>		
	The Executive Mayor, Executive Deputy Mayor, Speaker, Chief Whip and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.		
<b>31</b>	<b>DEPRECIATION AND AMORTISATION</b>		
	Property Plant and Equipment	13 566 934	12 864 155
	Intangible Assets	35 143	35 143
	<b>Total Depreciation and Amortisation</b>	<b>13 602 077</b>	<b>12 899 299</b>
<b>32</b>	<b>FINANCE COSTS</b>		
	Long-term Borrowings	3 156 265	3 389 283
	Non-current Provisions	1 755 382	2 440 494
	Non-current Employee Benefits	2 905 285	2 483 559
	<b>Total Finance Costs</b>	<b>7 816 932</b>	<b>8 313 336</b>
<b>33</b>	<b>BULK PURCHASES</b>		
	Electricity	83 816 283	77 356 365
	Water	6 538 970	5 299 206
	<b>Total Bulk Purchases</b>	<b>90 355 253</b>	<b>82 655 571</b>

**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**34 EXPENDITURE INCURRED TO MAINTAIN PROPERTY, PLANT AND EQUIPMENT**

Expenditure incurred to repair and maintain Property, Plant and Equipment:

	2017 R	2016 R
<b>Community Assets</b>	578 071	-
Other materials	573 565	-
Other Expenditure	4 505	-
<b>Infrastructure</b>	5 339 926	-
Other materials	3 635 375	-
Other Expenditure	1 704 551	-
<b>Land and buildings</b>	892 122	-
Other materials	880 980	-
Other Expenditure	11 161	-
<b>Other Assets</b>	4 431 741	-
Other materials	3 629 111	-
Other Expenditure	802 630	-
Repairs and maintenance	-	8 272 092
<b>Total Repairs and Maintenance</b>	<b>11 241 859</b>	<b>8 272 092</b>

**35 TRANSFERS AND SUBSIDIES**

**Operational: Monetary Allocations**

Donations General		
Life Guards	134 200	123 900
Poverty Alleviation	13 012	4 704
Tourism	878 675	824 273
Sport development	1 500	4 000
<b>Total Grants and Subsidies</b>	<b>1 027 387</b>	<b>956 876</b>

**36 OPERATIONAL COSTS**

Advertisements	237 194	177 276
Aqua Kultuur	-	-
Audit Committee Fees	57 979	42 185
Audit Fees	1 754 647	1 669 674
Bank Charges	320 450	267 084
Chemicals	543 968	-
Cleaning Material	134 078	90 178
Commission Paid	1 666 816	1 397 480
Computer Charges	1 342 150	538 187
Consulting fees	3 265 087	3 299 895
Contributions	44 324	174 742
Development Programmes	160 232	260 430
Embellishment of Towns	2 050	2 131
Entertainment Costs	17 381	9 284
External Computer Service	25 132	-
Fuel	3 838 948	3 570 255
Gas	46 062	63 556
Hire Charges	970 438	-
Information Signs	-	1 620
Insurance	929 897	887 822
Licenses	200 949	-
Municipal Services	1 986 588	1 944 090
Mosters	451 550	522 529
Namakwa fees	-	-
Other materials	8 719 012	8 272 092
Photocopies	46 296	44 917
Postage	42 771	34 788
Printing and Stationary	1 432 590	905 504
Prodiba payments	245 137	256 829
Public Entertainment	64 703	124 846
Rental	-	75 004
Rental external networks-IT	1 132 249	1 306 634
Security Costs	653 345	671 780
Service Connection Fees	-	280 798
Services	112 577	102 541
Subscription Fees	1 026 636	831 889
Survey Costs	46 468	16 750
System Access and Information Fees	689 806	-
Telephone	1 184 533	1 150 361
Training Costs	93 775	981
Travel and Subsistence	1 591 408	1 767 938
Valuation Costs	303 612	1 358 905
Vehicle Tracking	87 692	-
Other	1 722 874	2 031 113
<b>Total Operational Costs</b>	<b>37 191 404</b>	<b>34 152 088</b>



MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

37 CORRECTION OF ERROR IN TERMS OF GRAP 3

CORRECTION OF ERROR IN TERMS OF GRAP 3

- 37.1 (a) First time recognition of Other Assets at Cost as at 1 July 2007. This is now corrected with the following entries. Dt Other Assets at Cost Opening balance R240 839.90, (Ct) Accumulated Surplus Prior Year R 240 839.90, Dt Accumulated Surplus Prior Year, R127 234.76, and (Ct) Accumulated Depreciation Opening balance R127 234.76. Dt Accumulated Surplus Current Year R14 556.67 and (Ct) Accumulated Depreciation 2015/16 R 14 556.67.
- (b) Correction of Payables from Exchange transactions, Landis & Gyr 2014/15 Invoices provided for as outstanding creditor at 30 June year end was already paid in 2015/2016. This is now corrected with the following entries. Dt Payables from exchange transactions 2015/16 R 60 920.58, (Ct) Accumulated Surplus Prior Year 2014/2015 R 60 920.58.
- (c) Correction of Payables from Exchange transactions, this is now corrected with the following entries. Dt Payables from exchange transactions 2015/16 R 3218.68, (Ct) Accumulated Surplus Prior Year 2015/16 R3 218.68.

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the Implementation of GRAP:

37.2	Property, Plant and Equipment: Other Assets	2016 R	2015 R
(a)	Office Equipment		
	Cost	3 973 654	-
	Balance previously reported	3 832 794	-
	Office Equipment incorrectly recognised	140 860	-
	Accumulated Depreciation	2 189 434	-
	Balance previously reported	2 121 038	-
	Office Equipment incorrectly recognised	68 396	-
	Restated Balance	1 784 220	-
(b)	Motor Vehicles		
	Cost	18 125 925	-
	Balance previously reported	18 121 857	-
	Motor Vehicles incorrectly recognised	4 068	-
	Accumulated Depreciation	9 131 014	-
	Balance previously reported	9 129 116	-
	Motor Vehicles incorrectly recognised	1 898	-
	Restated Balance	8 994 911	-
		2 170	-
(c)	Plant and Equipment		
	Cost	2 269 792	-
	Balance previously reported	2 226 671	-
	Plant and Equipment incorrectly recognised	43 121	-
	Accumulated Depreciation	1 241 829	-
	Balance previously reported	1 220 925	-
	Plant and Equipment incorrectly recognised	20 904	-
	Restated Balance	1 027 963	-
(d)	Computer Equipment		
	Cost	386 087	-
	Balance previously reported	333 295	-
	Computer Equipment incorrectly recognised	52 792	-
	Accumulated Depreciation	148 444	-
	Balance previously reported	112 408	-
	Computer Equipment incorrectly recognised	36 036	-
	Restated Balance	237 643	-

**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

		2016 R	2015 R
<b>37.3</b>	<b>Trade and Other Payables from exchange transactions</b>		
	Balance previously reported	19 957 290	23 642 032
	Trade Payables incorrectly recognised	(64 139)	(64 139)
	<b>Restated Balance</b>	<b>19 893 151</b>	<b>23 577 893</b>
<b>37.4</b>	<b>Accumulated Surplus</b>	<b>2016</b>	<b>2015</b>
	Balance previously reported	464 458 590	419 750 209
	Office Equipment incorrectly recognised	72 464	-
	Motor Vehicles incorrectly recognised	2 170	-
	Plant and Equipment incorrectly recognised	22 217	-
	Computer Equipment incorrectly recognised	16 756	-
	Depreciation incorrectly recognised	(14 557)	-
	Trade Payables incorrectly recognised	64 139	64 139
	<b>Restated Balance</b>	<b>464 621 778</b>	<b>419 814 348</b>
<b>38</b>	<b>CHANGE IN ESTIMATE</b>		
		<b>2017 R</b>	<b>2016 R</b>
<b>(a)</b>	<b>Other Assets</b>		
	Decrease in depreciation on other assets for the year	597 361	947 192
	Decrease in depreciation on infrastructure	5 759	20 965
		<b>603 120</b>	<b>968 157</b>
<b>39</b>	<b>RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS</b>	<b>2017 R</b>	<b>2016 R</b>
	<b>Surplus for the year</b>	<b>34 545 135</b>	<b>42 184 382</b>
	<b>Adjustments for:</b>		
	Depreciation and Amortisation	13 602 077	12 884 742
	Finance Charges - Landfill Sites	1 755 382	2 440 494
	Grants received	79 373 000	76 933 000
	Grants recognised as revenue	(79 334 043)	(77 628 434)
	Debt Impairment	13 477 977	11 652 698
	Bad Debts Written off	(9 724 816)	(10 592 182)
	Contribution from/to employee benefits - non-current	4 820 696	4 176 951
	Contribution from/to employee benefits - non-current - expenditure incurred	(1 411 065)	(1 225 453)
	Actuarial Losses	-	137 346
	Actuarial Gains	(3 266 714)	(469 745)
	Contribution to employee benefits - current	6 565 649	5 492 192
	Contribution to employee benefits - current - expenditure incurred	(5 715 926)	(4 844 932)
	Surplus recognised on changes in landfill site provision estimates	93 736	-
	Impairment reversal	(18 815)	(106 435)
	Operating lease income accrued	-	(24 097)
	Loss on disposal of Property, Plant and Equipment	1 381 867	1 024 725
	Fair value adjustments	-	3 165 131
	Contribution Property Plant and Equipment	(18 322 928)	(27 281 333)
	<b>Operating Surplus before changes in working capital</b>	<b>37 821 213</b>	<b>37 919 050</b>
	<b>Changes in working capital</b>	<b>(15 734 605)</b>	<b>(7 686 464)</b>
	Increase/(Decrease) in Payables from Exchange Transactions	(11 411 303)	(3 684 742)
	Increase/(Decrease) in Taxes	(44 588)	471 266
	(Increase)/Decrease in Inventory	15 523	(81 498)
	(Increase)/Decrease in Receivables from Exchange Transactions	(1 875 332)	(2 017 797)
	(Increase)/Decrease in Receivables from Non-Exchange Transactions	(2 418 905)	(2 373 693)
	<b>Cash generated by operations</b>	<b>22 086 608</b>	<b>30 232 586</b>
<b>40</b>	<b>CASH AND CASH EQUIVALENTS</b>		
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Cash Floats - Note 19	5 570	5 850
	Bank - Note 19	2 358 393	8 870 324
	Call Investment Deposits	1 752 093	1 634 352
	<b>Total cash and cash equivalents</b>	<b>4 116 056</b>	<b>10 510 526</b>

**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**41 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES**

	2017 R	2016 R
Cash and Cash Equivalents - Note 39	4 116 056	10 510 526
Less:		
Unspent Committed Conditional Grants - Note 9	1 659 814	810 703
Capital Replacement Reserve - Note 2	4 392 000	3 375 000
Add:		
Unpaid Conditional Grants	810 154	-
Tax receivable	459 553	-
Net cash resources available for internal distribution/(resources utilised for internal distribution)	<u>(666 051)</u>	<u>6 324 823</u>

**42 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION**

Long-term Liabilities - note 3	21 662 766	25 969 551
Used to finance property, plant and equipment - at cost	(21 662 766)	(25 969 551)
Cash invested for repayment of long-term liabilities	-	-
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.		

**43 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**43.1 Unauthorised expenditure**

Reconciliation of unauthorised expenditure:

Opening balance	-	-
Unauthorised expenditure current year - capital	-	-
Unauthorised expenditure current year - operating	-	-
Written off/Condoned by council	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation by municipal council	<u>-</u>	<u>-</u>

Incident	Disciplinary steps/criminal proceedings
Over expenditure on votes	None
Utilisation of grant monies for operational expenditure	None

	2017 R (Actual)	2017 R (Budget)	2017 R (Variance)	2017 R (Unauthorised)
<b>Unauthorised expenditure current year - capital</b>				
Vote 1 - Executive & Council	125 481	128 739	(3 258)	-
Vote 2 - Finance	129 434	139 000	(9 566)	-
Vote 4 - Community Services	1 649 800	2 077 057	(427 257)	-
Vote 5 - Public Works and Basic Services	22 358 596	28 237 832	(5 879 236)	-
Vote 6 - Development and Town planning Services	810 816	930 679	(119 863)	-
	<u>26 249 636</u>	<u>31 708 307</u>	<u>(6 458 672)</u>	<u>-</u>
<b>Unauthorised expenditure current year - operating</b>				
Vote 1 - Executive & Council	12 339 581	13 474 346	(1 134 765)	-
Vote 2 - Finance	36 305 056	36 290 800	14 256	-
Vote 3 - Corporate	14 558 633	16 007 505	(1 448 872)	-
Vote 4 - Community Services	45 886 359	49 113 801	(3 227 442)	-
Vote 5 - Public Works and Basic Services	154 771 552	154 787 285	4 267	-
Vote 6 - Development and Town planning Services	10 162 680	12 837 619	(2 674 939)	-
	<u>274 023 862</u>	<u>282 491 356</u>	<u>(8 467 494)</u>	<u>-</u>

**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

		2017	2016
		R	R
<b>43.2</b>	<b>Fruitless and wasteful expenditure</b>		
	Reconciliation of fruitless and wasteful expenditure:		
	Opening balance	-	-
	Fruitless and wasteful expenditure current year	-	-
	Condoned by Council	-	-
	Transfer to receivables for recovery	-	-
	Fruitless and wasteful expenditure awaiting further action	-	-
	Incident		
	Interest and penalties on late payment of creditors		
	SARS interest and penalties relating to VAT		
	Disciplinary steps/criminal proceedings		
	None	-	-
	None	-	-
<b>43.3</b>	<b>Irregular expenditure</b>		
	Reconciliation of irregular expenditure:		
	Opening balance	11 828 498	-
	Irregular expenditure current year	-	11 828 498
	Condonement supported by Council	-	-
	Transfer to receivables for recovery	-	-
	Condonement supported by council	-	-
	Irregular expenditure awaiting further action	<u>11 828 498</u>	<u>11 828 498</u>
	Irregular expenditure awaiting condonement from National Treasury	-	-
	Incident		
	Operating expenditure incurred contrary to legislative supply chain requirements		
	Capital expenditure incurred contrary to legislative supply chain requirements relating to prior year.		
	Capital expenditure incurred contrary to legislative supply chain requirements.		
	Disciplinary steps/criminal proceedings		
	None	-	648 473
	None	-	1 280 027
	None	-	9 899 998
	None	<u>-</u>	<u>11 828 498</u>
Recoverability of all Irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. The section 32 investigation has not commenced therefore no steps have been taken at this stage to recover any monies.			
<b>44</b>	<b>MATERIAL LOSSES</b>		
	Water distribution losses		
	There were no material water distribution losses during the current and previous financial year		
	Electricity distribution losses		
	- Units purchased (Kwh)	82 925 264	82 104 222
	- Units lost during distribution (Kwh)	11 348 232	11 658 420
	- Percentage lost during distribution	13.68%	14.20%
	Electricity losses decreased during 2016 financial year due to auditing and installation of new bulk meters		
		2017	2016
		R	R
<b>44.1</b>	<b>Non-Material Losses</b>		
	Water distribution losses		
	- Kilo litres purchased	3 401 327	3 367 646
	- Kilo litres lost during distribution	16 014	15 976
	- Percentage lost during distribution	0.47%	0.47%
<b>45</b>	<b>ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>45.1</b>	<b>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</b>		
	Opening balance	-	-
	Council subscriptions	1 026 233	927 020
	Amount paid - current year	(1 026 233)	(927 020)
	Amount paid - previous years	-	-
	Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
<b>45.2</b>	<b>Audit fees - [MFMA 125 (1)(b)]</b>		
	Opening balance	-	-
	Current year audit fee	1 754 647	1 911 033
	External Audit - Auditor-General	1 754 647	1 911 033
	Internal Audit	-	-
	Amount paid - current year	(1 754 647)	(1 911 033)
	Amount paid - previous year	-	-
	Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>

**MATSIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>45.3 VAT - [MFMA 125 (1)(b)]</b>		
Opening balance	445 321	(378 703)
Amounts received - current year	(4 130 115)	(2 591 089)
Amounts paid - current year	3 461 896	3 000 980
Amounts (received)/paid - previous years	445 321	378 703
Amounts claimed - current year	215 556	35 429
Closing balance - (Payable)/Receivable	<u>437 979</u>	<u>445 321</u>
VAT in suspense due to cash basis of accounting		
Input VAT	3 433 359	1 474 991
Output VAT	<u>(2 995 381)</u>	<u>(1 740 425)</u>
Claimable/(Payable)	<u>437 978</u>	<u>(265 434)</u>

VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.

<b>45.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]</b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	13 785 764	11 900 708
Amount paid - current year	<u>(13 785 764)</u>	<u>(11 900 708)</u>
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>

<b>45.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	15 062 543	21 845 521
Amount paid - current year	<u>(15 062 543)</u>	<u>(21 845 521)</u>
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>

<b>45.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]</b>	Outstanding more than 90 days	Outstanding more than 90 days
The following Councillors had arrear accounts for more than 90 days during the financial year.		
Councillor MV Cloete	1 969	-
Councillor AFK Job	3 731	-
Councillor WD Lof	669	-
Councillor NM Ngobo	1 337	-
Councillor X Tsatsu	7 089	-
Councillor EL Mqinqqi	-	42 933
Councillor M J Smith	-	642
Councillor BB Julius	-	3 552
Councillor D Okhuls	-	848
Total Councillor Arrear Consumer Accounts	<u>14 796</u>	<u>47 975</u>

<b>45.7 Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation (36)(1)(a) &amp; (b)</b>	Two Suppliers	Single Supplier	Sec 5.27	Emergency	Total
	R	R	R	R	R
Jul-16	46 468	160 333	115 544	31 125	355 471
Aug-16	101 777	341 936	234 265	-	677 978
Sep-16	212 501	290 511	230 852	20 466	754 330
Oct-16	112 933	114 904	1 050 775	75 625	1 354 237
Nov-16	239 865	275 922	10 167 561	7 790	10 691 137
Dec-16	14 173	94 191	362 302	29 802	500 468
Jan-17	169 239	74 239	146 923	10 330	400 731
Feb-17	179 430	139 520	436 353	-	755 303
Mar-17	217 659	64 862	655 232	3 136	940 889
Apr-17	110 471	55 084	450 658	5 592	621 805
May-17	69 180	4 375	822 653	1 925	898 113
Jun-17	81 355	142 554	262 922	3 477	490 308
	<u>1 557 031</u>	<u>1 758 432</u>	<u>14 936 039</u>	<u>189 268</u>	<u>18 440 770</u>

Regulation 45 : Particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months

<b>45.8</b>	Employee Name	Position in service of the state	Relationship	2017 R	2016 R
	Heleen Meyer	Accountant SCM and Expenditure	Husband	27 383	31 053
				<u>27 383</u>	<u>31 053</u>

**MATSIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

45.9	No declaration by suppliers as required in Section 13(c) of the Supply Chain Management Regulations	2017 R	2016 R
	The contract values of suppliers who did not indicate on the registration forms that members are in service of the state or has been in service of the state in the previous twelve months, are as follow:		
	R 10 000 – R 199 999 Greater than R 200 000	- -	- -
45.10	BBBEE points according to Preferential Procurement Regulation 2011 section 5 was incorrectly calculated	-	-
45.11	Non Compliance with section 15 of the Municipal Financial Management Act	-	-
46	<b>CAPITAL COMMITMENTS</b>		
	Commitments in respect of capital expenditure:		
	Approved and contracted for:		
	Infrastructure	2 811 949	-
	This expenditure will be financed from:		
	Government Grants	2 811 949	-
47	<b>FINANCIAL RISK MANAGEMENT</b>	2017 R	2016 R
	The activities of the Municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.		
(a)	<b>Foreign Exchange Currency Risk</b>		
	The Municipality does not engage in foreign currency transactions.		
(b)	<b>Price risk</b>		
	The Municipality is not exposed to price risk.		
(c)	<b>Interest Rate Risk</b>		
	As the Municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.		
	The Municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.		
	The Municipality did not hedge against any interest rate risks during the current year.		
	The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:		
	1% (2016: 1%) Increase in interest rates	(88 635)	(108 236)
	1% (2016: 1%) Decrease in interest rates	44 318	54 118
(d)	<b>Credit Risk</b>		
	Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur a financial loss.		
	Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.		
	Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.		
	All rates and services are payable within 30 days from invoice date. Refer to note 16 and 17 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.		
	Receivables of R4 million are pledged as security for financial liabilities.		
	Due to the short term nature of receivables the carrying value disclosed in note 16 and 17 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.		

MATZIKAMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

The provision for debt impairment could be allocated between the different classes of debtors as follows:

Non-Exchange Receivables

Rates and fines

Long term receivables

Exchange Receivables

Service Charges

Total Provision for Debt Impairment

2017 %	2017 R	2016 %	2016 R
18.92%	9 028 657	11.85%	5 155 873
0.68%	325 242	1.05%	458 366
19.60%	9 351 899	12.90%	5 614 239
80.40%	38 360 202	87.10%	37 909 285
	38 360 202	87.10%	37 909 285
100%	47 712 101	100%	43 523 524

The provision for debt impairment could be allocated between the different categories of debtors

Water

Electricity

Rates

Rental

Refuse

Sewerage

Other exchange

Loans

Fines

Indigent debtors

2017 %	2017 R	2016 %	2016 R
11%	5 296 536	16%	7 115 198
2%	1 161 417	3%	1 174 946
11%	5 108 950	6%	2 792 943
0%	61 520	0%	126 226
14%	6 644 792	17%	7 250 421
14%	6 786 616	19%	8 293 335
37%	17 640 332	31%	13 484 246
1%	325 242	1%	458 366
8%	3 828 865	5%	2 319 529
2%	857 830	1%	508 313
100%	47 712 101	100%	43 523 524

Bad debts written off per financial asset class:

Financial Instruments at amortised cost

2017 %	2017 R	2016 %	2016 R
100%	9 724 816	100%	10 592 182
100.00%	9 724 816	100%	10 592 182

Balances past due not impaired:

Non-Exchange Receivables

Rates

Exchange Receivables

Service Charges

Total past due not impaired

2017 %	2017 R	2016 %	2016 R
		43%	2 435 415
100.00%		43%	1 324 011
		57%	3 166 799
100.00%	100	57%	3 166 799
		100%	4 490 810

As at 30 June 2016, trade receivables of R 11 643 196 (2015: R10 744 051) were fully performing

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party

Long-term Receivables, Receivables from Exchange Transactions and Receivables from Non-Exchange Transactions are Individually evaluated annually at year end for impairment.

Financial assets exposed to credit risk at year end are as follows:

Long-term receivables

Receivables from exchange transactions

Receivables from non-exchange transactions

Cash and Cash Equivalents

2017 R	2016 R
325 242	458 366
14 334 646	12 891 622
5 494 666	6 946 548
4 116 056	10 510 526
24 270 610	30 807 062

**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**(e) Liquidity Risk**

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
<b>2017</b>				
Non-current Provisions	-	17 823 270	69 606 509	-
Capital	-	13 008 863	44 792 221	-
Interest	-	4 814 407	24 814 288	-
Long Term liabilities	7 094 747	17 544 195	16 462 774	-
Payables from Exchange Transactions	5 814 446	-	-	-
Unspent conditional government grants and receipts	849 660	-	-	-
	<u>13 758 853</u>	<u>35 367 465</u>	<u>86 069 283</u>	<u>-</u>
<b>2016</b>				
Non-current Provisions	-	-	90 206 117	-
Capital	-	-	55 951 967	-
Interest	-	-	34 254 150	-
Long Term liabilities	7 268 168	22 055 091	19 391 588	-
Payables from Exchange Transactions	17 119 387	-	-	-
Unspent conditional government grants and receipts	810 703	-	-	-
	<u>25 198 258</u>	<u>22 055 091</u>	<u>199 803 821</u>	<u>-</u>

**48 FINANCIAL INSTRUMENTS**

In accordance with GRAP 104 the financial instruments of the Municipality are classified as follows:

**Financial Instruments at amortised cost**

	2017 R	2016 R
<b>48.1 Financial Assets</b>		
Long-Term Receivables	297 998	112 151
Receivables from exchange transactions	14 334 646	12 891 622
Current Portion of Long-term Receivables	253 380	346 214
Cash and Cash Equivalents	4 116 056	10 510 526
Total carrying amount of financial assets	<u>19 002 080</u>	<u>23 860 514</u>

**Financial Instruments at amortised cost**

	2017 R	2016 R
<b>48.2 Financial Liabilities</b>		
Long-term Liabilities	21 662 766	25 969 551
Payables from exchange transactions	8 545 987	19 585 739
Unspent Conditional Government Grants and Receipts	849 660	810 703
Current Portion of Long-term Liabilities	4 274 868	4 082 984
	<u>35 333 281</u>	<u>50 448 977</u>

**49 STATUTORY RECEIVABLES**

In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:

**Taxes**

	2017 R	2016 R
VAT Receivable	437 979	-
Receivables from Non-Exchange Transactions	3 872 286	5 606 059
Rates	3 350 266	4 583 614
Fines	522 020	1 022 445
	<u>4 310 265</u>	<u>5 606 059</u>

**50 EVENTS AFTER THE REPORTING DATE**

No such instances

**51 IN-KIND DONATIONS AND ASSISTANCE**

The Municipality did not receive any in-kind donations or assistance during the year under review.

**52 PRIVATE PUBLIC PARTNERSHIPS**

Council has not entered into any private public partnerships during the financial year.

**53 CONTINGENT LIABILITIES**

The municipality is not currently engaged in litigation which could result in damages/costs being awarded against Council. If claimants are successful in their actions.



**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**54 RELATED PARTIES**

**54.1 Related Party Loans**

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

**54.2 Compensation of key management personnel**

The compensation of key management personnel is set out in note 28 to the Annual Financial Statements.

**54.3 Other related party transactions**

The following purchases were made during the year where Councillors or staff have an interest:

Supplier	Relationship	Department	Position	2017 R	2016 R
Autopage Cellular	Owner: Husband - Lize Kleinhans	Finance	Accountant: Salaries	-	210 603
Meyer Kabinette	Owner: Husband - Heleen Meyer	Finance	Accountant: SCM + Expenditure	27 383	31 053
FI Traders and Services N7	Owner: Father - John Ovis	Community Services	Superintendent	13 687	-
MAC Daries	Owner: Daughter - Michinon	Finance	Cashier	6 434	22 112
Sunfox	Owner: Daughter - Michinon	Finance	Cashier	1 913	30 503
<b>Total</b>				<b>49 417</b>	<b>294 271</b>

**55 EXPLANATORY NOTES TO THE STATEMENT OF COMPARISON OF BUDGET AND ACTUAL**

**Current Assets:**

Cash	The electrification in Mangaung in Vredendal North planned for 2017/18 commenced during the current financial year.
Consumer debtors	Strict implementation of the credit control policy yielded the positive variance.
Other Receivables	The variance can substantially be ascribed to the lack of investment in the municipal area.
Inventory	Budget was adjusted to be in line with the final audited AFS 2015 to include the movement in water inventory.

**Non current assets:**

Investment property	The variance can be ascribed to investment property sold and the lack of growth in property values.
Long term receivables	Increase in downpayment arrangements

**Current liabilities:**

Trade and other payables	Invoices were paid in accordance with MFMA prescripts.
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**Community Wealth**

Reserves	Contribution for the replacement of property plant and equipment
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**Statement of Financial Performance - Revenue**

Water Revenue	Application of water restrictions
Rental of Facilities and Equipment	Decrease in the rental of community halls
Interest earned - external investments	Additional amounts were invested in interest bearing deposits
Fines	Better performance achieved in the second half of the financial year.
Other Revenue	Actuarial gains realised on employee benefit calculations performed at the end of the financial year.

**Statement of Financial Performance - Expenditure**

Debt Impairment	Budget was adjusted to correspond to actual contributions made during 2015/16. Figures was not yet available originally during budget approval
Finance charges	Budget was adjusted upwards for Non-Current Provision interest charges. This is due to the timing of the actuary and consulting engineer reports
Contracted services	No actual result
Other Expenditure	Effective budgetary controls implemented and maintained throughout the financial year.

**Cash Flow Statement**

**Receipts:**

Proceeds on disposal of PPE	PPE sold at a loss
Interest	The budget was adjusted upwards to make provision of the interest earned on the call investment deposits and actual forecasted figures for interest earned on the positive cash balance
Movement non-current receivables	Improved performance in consumers with arrangements in place.

**Payments:**

Consumer Deposits	Increase in connections due to housing projects in Klawer completed before the end of the financial year.
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**MATZIKAMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**56 FINANCIAL SUSTAINABILITY**

Management is of the opinion that the Municipality will continue to operate as a going concern and perform its functions as set out in the Constitution.

**56.1 Financial Indicators**

The current ratio improved to 0.84:1 from 0.69:1 in the prior year.

The municipality has budgeted for positive cash flows during 2016/2017 and 2017/2018 amounting to R20 051 000 and R20 940 000 respectively.

The payables on exchanges transactions decreased from 2014/15 to 2015/16 with R3 684 742.40

**56.2 Other Indicators**

Possible outflow of recourses due the contingent liabilities disclosed in note 53.

APPENDIX A  
MATZIKAMA MUNICIPALITY  
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2017

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 June 2016	Correction of Error	Received during the period	Redeemed written off during the period	Balance at 30 June 2017
<b>ANNUITY LOANS</b>								
DBSA	12.27%	102857	2018	888 889	888 889	-	444 444	444 444
DBSA	6.75%	103143(2)	2018	742 723	742 723	-	282 186	460 537
DBSA	11.14%	103749	2020	7 975 659	7 975 659	-	1 682 166	6 293 503
DBSA	8.57%	WC12007362.1	2021	9 253 713	9 253 713	-	254 488	8 999 225
DBSA	8.57%	WC12007362.2	2031	785 805	785 805	-	111 674	674 131
DBSA	8.82%	1007262	2022 / 2027	9 880 252	9 880 252	-	1 030 633	8 849 618
ABSA - Capital Works 2008/2009	Prime - 2%	40-7292-9600	2018	525 494	525 494	-	309 318	216 175
<b>Total Annuity Loans</b>				<b>30 052 535</b>	<b>30 052 535</b>	<b>-</b>	<b>4 114 901</b>	<b>25 937 634</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>30 052 535</b>	<b>30 052 535</b>	<b>-</b>	<b>4 114 901</b>	<b>25 937 634</b>

**APPENDIX B**  
**MATZIKAMA MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**  
**GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2016 Actual Income R	2016 Actual Expenditure R	2016 Surplus/ (Deficit) R		2017 Actual Income R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R
			<b>Governance and Administration</b>			
27 281 333	(12 427 959)	14 853 374	Executive & Council	18 678 256	(12 339 581)	6 338 675
104 626 722	(40 567 155)	64 059 567	Budget & Treasury Office	110 353 082	(36 305 056)	74 048 026
3 158 074	(15 778 236)	(12 620 162)	Corporate Services	4 418 978	(16 473 428)	(12 054 449)
			<b>Community and Public Safety</b>			
6 511 395	(12 138 705)	(5 627 309)	Community and Social Services	6 690 464	(12 728 334)	(6 037 871)
2 480 711	(5 707 606)	(3 246 895)	Sport and Recreation	2 280 181	(6 275 619)	(3 995 437)
3 073 516	(8 357 224)	(5 283 709)	Public Safety	2 824 811	(10 403 692)	(7 578 881)
287 579	(574 998)	(287 419)	Housing	300 822	(719 574)	(418 752)
-	-	-	Health	-	-	-
			<b>Economic and Environmental Services</b>			
439 634	(5 495 414)	(5 055 780)	Planning and Development	519 279	(6 945 082)	(6 425 803)
5 484 465	(21 728 803)	(16 244 338)	Road Transport	6 034 834	(23 790 206)	(17 755 372)
-	-	-	Environmental Protection	-	-	-
			<b>Trading Services</b>			
94 642 968	(89 286 655)	5 356 313	Electricity	102 917 871	(97 186 990)	5 730 881
15 499 447	(16 171 231)	(671 784)	Water	16 740 074	(19 271 478)	(2 531 404)
16 889 158	(10 571 066)	6 318 092	Waste Water Management	18 446 814	(11 913 637)	6 533 177
16 536 593	(14 708 110)	1 828 483	Waste Management	18 363 531	(18 368 382)	(4 852)
-	(1 208 609)	(1 208 609)	Other	-	(1 302 804)	(1 302 804)
296 891 595	(254 721 770)	42 169 825	Sub Total	309 122 153	(271 953 342)	37 168 810
-	-	-	Less Inter-Departmental Charges	-	-	-
296 891 595	(254 721 770)	42 169 825	Total	309 122 153	(271 953 342)	37 168 810

**APPENDIX C**  
**MATZIKAMA MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**  
**MUNICIPAL VOTES CLASSIFICATIONS**

2016 Actual Income R	2016 Actual Expenditure R	2016 Surplus/ (Deficit) R		2017 Actual Income R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R
			<b>Vote 1 - Executive &amp; Council</b>			
-	(9 712 099)	(9 712 099)	1.1 - Council	-	(9 477 866)	(9 477 866)
-	-	-	1.2 - Local Economic Development	-	-	-
27 281 333	(2 715 860)	24 565 473	1.3 - Municipal Manager	18 678 256	(2 881 715)	15 816 541
-	-	-	1.4 - DMA	-	-	-
0	0	-	1.5 - Tourism	-	-	-
			<b>Vote 2 - Finance</b>			
33 507 193	(10 546 056)	22 961 137	2.1 - Equitable Share	34 285 127	(11 981 654)	22 283 474
31 750	(6 949 212)	(6 917 462)	2.2 - Expenses	58 282	(7 391 645)	(7 333 363)
30 693 980	(14 075 183)	16 618 807	2.3 - Finance	29 750 339	(8 273 151)	21 477 188
3 124 535	(7 637 799)	(4 513 264)	2.4 - Income	3 161 708	(8 358 694)	(5 194 987)
36 962 818	(1 358 905)	35 603 913	2.5 - Taxes	43 098 812	(301 912)	42 796 900
			<b>Vote 3 - Corporate</b>			
1 396 605	(3 546 697)	(2 150 092)	3.1 - Corporate	117 743	(3 320 749)	(3 203 006)
730 528	(8 508 709)	(7 778 181)	3.2 - Human Resources	3 537 307	(9 385 450)	(5 828 144)
-	-	-	3.3 - Property Management	-	-	-
-	(1 790 064)	(1 790 064)	3.4 - I.T	-	(1 872 435)	(1 872 435)
-	-	-	3.5 - Town Planning	-	-	-
-	-	-	3.6 - Libraries	-	-	-
			<b>Vote 4 - Community Services</b>			
621 437	(6 252 880)	(5 631 442)	4.1 - Community Halls	522 854	(6 681 581)	(6 158 707)
436 710	(434 004)	2 706	4.2 - Cemeteries	285 246	(277 820)	(12 574)
287 579	(574 998)	(287 419)	4.3 - Housing	300 822	(719 574)	(418 752)
3 073 516	(8 355 734)	(5 282 219)	4.4 - Traffic	2 824 811	(10 389 376)	(7 564 565)
4 416 468	(1 596 007)	2 820 461	4.5 - Vehicle Licensing	4 523 958	(1 686 818)	2 827 139
84 258	(3 418 708)	(3 334 448)	4.6 - Sport and Recreation Vredendal	104 177	(3 722 323)	(3 618 146)
16 536 593	(9 755 034)	6 781 559	4.7 - Refuse Removal Vredendal	18 363 531	(12 747 775)	5 615 756
-	(2 500 422)	(2 500 422)	4.8 - Street Cleansing Vredendal	-	(2 918 224)	(2 918 224)
2 376 453	(874 387)	1 502 066	4.9 - Resorts	2 176 005	(970 261)	1 205 743
5 447 972	(5 446 977)	995	4.10 - Libraries	5 879 186	(5 762 628)	116 558
			<b>Vote 5 - Public Works and Basic Services</b>			
5 276	(4 844)	432	5.1 - Cemeteries Outside Towns	23 178	(6 325)	16 852
-	(1 414 513)	(1 414 513)	5.2 - Sport and Recreation Outside Towns	-	(1 583 035)	(1 583 035)
-	-	-	5.3 - Resorts	-	-	-
-	-	-	5.4 - Refuse Removal Outside Towns	-	-	-
16 889 158	(10 571 086)	6 318 092	5.5 - Sewerage	18 446 814	(11 913 637)	6 533 177
1 067 997	(20 134 286)	(19 066 289)	5.6 - Roads	1 510 676	(22 107 704)	(20 596 828)
-	(2 452 654)	(2 452 654)	5.7 - Street Cleansing Outside Towns	-	(2 702 384)	(2 702 384)
15 499 447	(16 171 231)	(671 784)	5.8 - Water Distributions	16 740 074	(19 271 478)	(2 531 404)
94 642 968	(89 288 655)	5 356 313	5.9 - Electricity Distributions	102 917 871	(97 186 980)	5 730 881
			<b>Vote 6 - Development and Townplanning Services</b>			
-	(2 594 771)	(2 594 771)	6.1 - Local Economic Development	118 807	(3 790 847)	(3 672 040)
1 137 377	(1 932 786)	(795 389)	6.2 - Property Management	782 744	(1 914 794)	(1 132 050)
439 634	(2 900 643)	(2 461 008)	6.3 - Town Planning	400 472	(3 154 235)	(2 753 763)
-	(1 208 609)	(1 208 609)	6.4 - Tourism	-	(1 302 804)	(1 302 804)
296 891 595	(254 721 770)	42 169 825	<b>Sub Total</b>	308 568 997	(274 023 862)	34 545 135
-	-	-	<b>Less Inter-Departmental Charges</b>	-	-	-
296 891 595	(254 721 770)	42 169 825	<b>Total</b>	308 568 997	(274 023 862)	34 545 135

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES, INTANGIBLE ASSETS, BIOLOGICAL ASSETS AND HERITAGE ASSETS AS AT 30 JUNE 2017

GENERAL FINANCE STATISTICS CLASSIFICATION

	Cost/Revaluation					Accumulated Depreciation			Carrying Value		
	Opening Balance	Correction of Error	Additions	Under Construction	Disposals/ Impairment	Closing Balance	Correction of Error	Depreciation		Disposals/ Impairment	Closing Balance
Executive & Council	18 191 994	5 175	13 098	-	(42 105)	18 168 162	3 465	172 955	(28 394)	1 474 185	16 693 977
Budget & Treasury Office	2 431 142	86 845	43 257	-	(59 119)	2 502 125	62 414	132 417	(47 444)	1 366 753	1 135 372
Corporate Services	83 758 334	26 095	425 730	-	(1 205 415)	83 004 743	17 794	165 342	(52 463)	4 512 491	78 492 252
Planning & Development	349 666	3 912	800 302	-	(21 036)	1 132 844	2 346	19 819	(15 023)	163 641	969 203
Health	92 433	-	-	-	(12 616)	79 817	47 502	4 087	(6 985)	44 604	35 213
Community & Social Services	36 432 256	30 341	546 035	-	(39 372)	36 969 259	18 471	496 947	(23 568)	4 128 432	32 840 827
Housing	18 339 326	-	18 323 674	-	(2 064)	36 660 935	473 444	422 266	(1 813)	893 897	35 767 039
Public Safety	4 169 723	17 984	17 698	-	(32 682)	4 172 723	10 963	101 274	(28 258)	1 124 258	3 048 465
Sport & Recreation	72 743 285	25 229	1 083 827	-	(47 638)	73 804 703	15 717	483 843	(44 396)	4 378 480	69 426 223
Environmental Protection	-	-	-	-	-	-	-	-	-	-	-
Waste Management	34 005 706	252	474 404	76 206	(154)	34 556 414	203	2 382 359	(142)	20 053 148	14 503 265
Waste Water Management	173 279 056	1 828	91 730	6 497 867	(210 786)	179 659 694	1 117	3 066 324	(94 571)	24 362 188	155 297 506
Road Transport	125 252 756	38 672	11 083 686	-	(831 586)	135 543 529	24 061	3 476 866	(382 184)	28 764 963	106 778 586
Water	88 986 176	-	-	-	-	-	-	-	-	-	-
Electricity	48 124 883	4 508	2 933 791	710 716	(28 291)	51 744 606	3 150	1 319 461	(14 024)	19 949 432	31 795 175
	708 158 735	240 840	36 572 684	7 311 802	(2 768 392)	747 523 649	159 701	13 583 263	(823 368)	132 378 045	615 145 604

**APPENDIX E**  
**MATZIKAMA MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 1 JULY 2016 R	Contributions during the year R	Correction of error	Operating Expenditure during the year Transferred to Revenue R	Capital Expenditure during the year Transferred to Revenue R	Repaid to National/Provinci al Revenue fund R	Balance 30 JUNE 2017 R	Unspent 30 JUNE 2017 (Creditor) R	Unpaid 30 JUNE 2017 (Debtor) R
<b>UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>									
<b>National Government Grants</b>									
Equitable Share	-	44 100 000	-	(44 100 000)	-	-	-	-	-
Department of Mineral Resources	-	3 000 000	-	(181 250)	(3 628 894)	-	(810 154)	-	(810 154)
FMG	-	1 475 000	-	(1 475 000)	-	-	-	-	-
MIG	-	20 337 000	-	-	(20 337 000)	-	-	-	-
EPWP	-	1 119 000	-	(1 119 000)	-	-	-	-	-
<b>Total National Government Grants</b>	-	<b>70 031 000</b>	-	<b>(46 875 250)</b>	<b>(23 965 894)</b>	-	<b>(810 154)</b>	-	<b>(810 154)</b>
<b>Provincial Government Grants</b>									
CDW's	-	113 000	-	(113 000)	-	-	-	-	-
Library Services	-	6 226 000	-	(5 814 905)	(411 094)	-	-	-	-
FMSG	672 744	220 000	-	(892 744)	-	-	-	-	-
Public Transport Infrastructure	-	64 000	-	(64 000)	-	-	-	-	-
Municipal Capacity Building Grant	-	120 000	-	(82 100)	-	-	57 900	57 900	-
Municipal Services Delivery and Capacity Building Grant	-	1 541 000	-	(599 995)	(237 091)	-	703 914	703 914	-
WC Financial Support for IDP related Projects	137 959	-	-	(118 807)	(19 152)	-	-	-	-
Thusong services centres operational grant	-	100 000	-	(31 488)	(68 512)	-	-	-	-
Local Government Graduate Internship Grant	-	60 000	-	(60 000)	-	-	-	-	-
Human Settlements	-	898 000	-	-	-	-	898 000	898 000	-
<b>Total Provincial Government Grants</b>	<b>810 703</b>	<b>9 342 000</b>	-	<b>(7 757 040)</b>	<b>(735 849)</b>	-	<b>1 659 814</b>	<b>1 659 814</b>	-
<b>TOTAL GOVERNMENT GRANTS</b>	<b>810 703</b>	<b>79 373 000</b>	-	<b>(54 632 300)</b>	<b>(24 701 743)</b>	-	<b>849 660</b>	<b>1 659 814</b>	<b>(810 154)</b>
<b>TOTAL</b>	<b>810 703</b>	<b>79 373 000</b>	-	<b>(54 632 300)</b>	<b>(24 701 743)</b>	-	<b>849 660</b>	<b>1 659 814</b>	<b>(810 154)</b>

**MATZIKAMA MUNICIPALITY - Reconciliation of Table A1 Budget Summary**

Description	2016/17						2015/16					
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
<b>R thousands</b>												
<b>Financial Performance</b>												
Property rates	43 274	(118)	43 156	42 530		(626)	98.6%	98.3%				36 598
Service charges	158 216	452	158 668	148 633		(12 035)	92.4%	92.7%				135 222
Investment revenue	1 118	370	1 488	1 701		213	114.3%	152.1%				1 564
Transfers recognised - operational	52 951	3 233	56 184	54 632		(1 552)	97.2%	103.2%				52 131
Other own revenue	20 201	1 499	21 700	20 048		(1 652)	92.4%	99.2%				18 507
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>275 761</b>	<b>5 436</b>	<b>281 196</b>	<b>265 544</b>		<b>(15 632)</b>	<b>94.4%</b>	<b>96.3%</b>				<b>244 113</b>
Employee costs	101 596	2 916	104 501	102 679	-	(1 822)	98.3%	101.1%	-	-	-	93 529
Remuneration of councillors	6 469	(20)	6 448	6 100	-	(348)	94.5%	94.3%	-	-	-	5 908
Debt impairment	15 700	(4 000)	11 700	13 478	1 778	(348)	115.2%	85.8%	-	-	-	11 563
Depreciation & asset impairment	12 529	917	13 445	13 602	157	157	101.2%	108.6%	-	-	-	12 899
Finance charges	8 694	1 135	9 729	7 817	-	(1 912)	80.3%	91.0%	-	-	-	8 313
Materials and bulk purchases	88 662	-	88 662	90 355	693	693	100.8%	100.8%	-	-	-	82 656
Transfers and grants	1 038	32	1 069	1 027	-	(42)	96.1%	99.0%	-	-	-	957
Other expenditure	36 795	9 142	45 937	38 954	-	(6 972)	84.8%	105.9%	-	-	-	38 807
<b>Total Expenditure</b>	<b>272 372</b>	<b>10 120</b>	<b>282 491</b>	<b>274 024</b>	<b>2 628</b>	<b>(8 467)</b>	<b>97.0%</b>	<b>100.9%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>254 722</b>
<b>Surplus/(Deficit)</b>	<b>3 389</b>	<b>(4 684)</b>	<b>(1 295)</b>	<b>(8 480)</b>		<b>(7 185)</b>	<b>654.8%</b>	<b>-250.2%</b>				<b>(10 069)</b>
Transfers recognised - capital	23 703	1 597	25 300	24 702	(598)	(598)	97.5%	104.2%				25 497
Contributions recognised - capital & contributed assets	-	-	-	18 323	18 323	18 323	100.0%	100.0%				27 281
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>27 092</b>	<b>(3 087)</b>	<b>24 005</b>	<b>34 545</b>		<b>10 541</b>	<b>143.9%</b>	<b>127.5%</b>				<b>42 170</b>
Share of surplus/ (deficit) of associate	-	-	-	-		-	-	-				-
<b>Surplus/(Deficit) for the year</b>	<b>27 092</b>	<b>(3 087)</b>	<b>24 005</b>	<b>34 545</b>		<b>10 541</b>	<b>143.9%</b>	<b>127.5%</b>				<b>42 170</b>
<b>Capital expenditure &amp; funds sources</b>												
<b>Capital expenditure</b>												
Transfers recognised - capital	23 703	1 597	25 300	21 733		(3 566)	85.9%	91.7%				25 497
Public contributions & donations	-	-	-	-		-	0.0%	0.0%				-
Borrowing	-	-	-	-		-	0.0%	0.0%				-
Internally generated funds	3 375	3 034	6 409	3 516		(2 892)	54.9%	104.2%				4 275
<b>Total sources of capital funds</b>	<b>27 077</b>	<b>4 631</b>	<b>31 708</b>	<b>25 250</b>		<b>(6 458)</b>	<b>79.6%</b>	<b>93.3%</b>				<b>29 773</b>
<b>Cash flows</b>												
Net cash from (used) operating	24 925	6 344	31 269	22 037		1 755	105.6%	132.5%				30 233
Net cash from (used) investing	(22 975)	(3 483)	(26 458)	(24 856)		2 725	89.7%	103.3%				(26 150)
Net cash from (used) financing	(3 778)	(140)	(3 917)	(3 775)		143	96.4%	99.9%				(4 305)
<b>Cash/cash equivalents at the year end</b>	<b>14 798</b>	<b>(3 394)</b>	<b>11 404</b>	<b>4 116</b>		<b>4 623</b>	<b>140.5%</b>	<b>108.3%</b>				<b>10 571</b>



MAITZIKAMA MUNICIPALITY - Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

M1: ZIKAMA MUNICIPALITY - Reconciliation of Budgeted Financial Performance (Revenue and expenditure by standard classification)												
Description	2016/17					2015/16						
	Original Budget	Budget Adjustments (i.l.c. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
<b>Revenue - Standard</b>												
<i>Governance and administration</i>	122 640	4 661	127 301	133 450		6 149	104.8%	108.8%				135 066
Executive and council	5	367	373	18 678		18 306	5012.2%	350436.3%				27 281
Budget and treasury office	117 388	3 041	120 429	110 353		(10 076)	91.6%	94.0%				104 627
Corporate services	5 246	1 253	6 499	4 419		(2 080)	68.0%	84.2%				3 158
<i>Community and public safety</i>	12 005	597	12 602	12 096		(505)	96.0%	100.8%				12 333
Community and social services	6 764	111	6 875	5 690		(184)	97.3%	98.9%				6 511
Sport and recreation	2 606	2	2 608	2 280		(328)	87.4%	87.5%				2 461
Public safety	2 328	(415)	1 913	2 825		912	147.5%	121.3%				3 074
Housing	308	888	1 206	301		(905)	24.9%	97.7%				288
Health	-	-	-	-		-	0.0%	0.0%				-
<i>Economic and environmental services</i>	6 570	968	7 538	6 554		(984)	86.9%	99.8%				5 924
Planning and development	483	663	1 135	519		(616)	45.7%	107.6%				440
Road transport	6 087	316	6 403	6 035		(368)	94.3%	99.1%				5 484
Environmental protection	-	-	-	-		-	0.0%	0.0%				-
<i>Trading services</i>	158 249	806	159 055	156 468		(2 587)	98.4%	98.9%				143 568
Electricity	110 223	2 055	112 277	102 918		(9 360)	91.7%	93.4%				94 643
Water	18 372	282	18 654	16 740		(1 914)	88.7%	91.1%				15 439
Waste water management	14 837	(840)	13 997	18 447		4 450	131.8%	124.3%				16 889
Waste management	14 817	(690)	14 126	18 364		4 237	130.0%	123.9%				16 537
<i>Other</i>	-	-	-	-		-	0.0%	0.0%				-
<b>Total Revenue - Standard</b>	<b>299 463</b>	<b>7 033</b>	<b>306 496</b>	<b>308 569</b>		<b>2 073</b>	<b>100.7%</b>	<b>103.0%</b>				<b>296 892</b>
<b>Expenditure - Standard</b>												
<i>Governance and administration</i>	70 183	(2 062)	68 121	65 118	364	(3 003)	95.6%	92.8%	-	-	-	68 773
Executive and council	14 162	(652)	13 500	12 340	-	(1 160)	91.4%	87.1%	-	-	-	12 428
Budget and treasury office	38 640	(2 699)	35 941	36 305	364	364	101.0%	94.0%	-	-	-	40 567
Corporate services	17 381	1 299	18 680	16 473	-	(2 207)	88.2%	94.5%	-	-	-	15 778
<i>Community and public safety</i>	29 081	1 776	30 857	30 127	1 049	(729)	97.6%	103.6%	-	-	-	26 779
Community and social services	13 108	(8)	13 100	12 728	-	(372)	97.2%	97.1%	-	-	-	12 139
Sport and recreation	6 126	612	6 738	6 276	-	(462)	93.1%	102.4%	-	-	-	5 708
Public safety	9 252	103	9 355	10 404	1 049	1 049	111.2%	112.4%	-	-	-	8 357
Housing	594	1 069	1 663	720	-	(944)	43.3%	121.1%	-	-	-	575
Health	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-
<i>Economic and environmental services</i>	29 841	2 548	32 389	30 735	602	(1 654)	94.9%	103.0%	-	-	-	27 224
Planning and development	7 151	2 051	9 202	6 945	-	(2 256)	75.5%	97.1%	-	-	-	5 495
Road transport	22 680	488	23 168	23 790	602	602	102.6%	104.8%	-	-	-	21 729
Environmental protection	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-
<i>Trading services</i>	141 935	7 876	149 811	146 740	621	(3 071)	98.0%	103.4%	-	-	-	130 737
Electricity	95 902	773	96 675	97 187	512	512	100.5%	101.3%	-	-	-	89 287
Water	17 606	2 665	20 272	19 271	-	(1 000)	95.1%	109.5%	-	-	-	16 171
Waste water management	11 464	340	11 804	11 914	109	109	100.9%	103.9%	-	-	-	10 571
Waste management	16 963	4 097	21 060	18 368	-	(2 691)	87.2%	108.3%	-	-	-	14 708
<i>Other</i>	1 332	(18)	1 313	1 303	-	(10)	99.2%	97.8%	-	-	-	1 209
<b>Total Expenditure - Standard</b>	<b>272 372</b>	<b>10 120</b>	<b>282 491</b>	<b>274 024</b>	<b>2 636</b>	<b>(8 467)</b>	<b>97.0%</b>	<b>100.6%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>254 722</b>
<b>Surplus/(Deficit) for the year</b>	<b>27 092</b>	<b>(3 087)</b>	<b>24 005</b>	<b>34 545</b>	<b>(2 636)</b>	<b>10 541</b>	<b>143.9%</b>	<b>127.5%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42 170</b>

**MATZIKAMA MUNICIPALITY - Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)**

MATZIKAMA MUNICIPALITY - Reconciliation of Table A3 Budgeted Financial Performance (Revenue and expenditure by municipal vote)												
Vote Description		2016/17					2015/16					
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
<b>Revenue by Vote</b>												
Vote 1 - Executive & Council	-	355	355	18 678		18 323	5256.6%	#DIV/0!				27 281
Vote 2 - Finance	117 388	3 041	120 429	110 334		(10 095)	91.6%	94.0%				104 520
Vote 3 - Corporate	315	253	568	3 655		3 087	643.3%	1159.7%				2 127
Vote 4 - Community Services	31 701	(93)	31 607	34 961		3 353	110.6%	110.3%				33 281
Vote 5 - Public Works and Basic Services	144 646	1 824	146 469	139 639		(6 831)	95.3%	96.5%				128 105
Vote 6 - Development and Townplanning Services	5 413	1 653	7 066	1 302		(5 764)	18.4%	24.1%				1 577
<b>Total Revenue by Vote</b>	<b>299 463</b>	<b>7 033</b>	<b>306 496</b>	<b>308 569</b>		<b>2 073</b>	<b>100.7%</b>	<b>103.0%</b>				<b>296 892</b>
<b>Expenditure by Vote to be appropriated</b>												
Vote 1 - Executive & Council	14 145	(670)	13 474	12 340	-	(1 135)	91.6%	87.2%	-	-	-	12 428
Vote 2 - Finance	39 055	(2 754)	36 291	36 305	14	14	100.0%	93.0%	-	-	-	40 567
Vote 3 - Corporate	14 693	1 315	16 008	14 559	-	(1 449)	90.9%	99.1%	-	-	-	13 845
Vote 4 - Community Services	43 595	5 519	49 114	45 886	-	(3 227)	93.4%	105.3%	-	-	-	39 209
Vote 5 - Public Works and Basic Services	150 129	4 639	154 772	154 772	4	4	100.0%	103.1%	-	-	-	140 035
Vote 6 - Development and Townplanning Services	10 756	2 082	12 838	10 163	-	(2 675)	79.2%	94.5%	-	-	-	8 637
<b>Total Expenditure by Vote</b>	<b>272 372</b>	<b>10 120</b>	<b>282 491</b>	<b>274 024</b>	<b>19</b>	<b>(8 467)</b>	<b>97.0%</b>	<b>100.6%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>254 722</b>
<b>Surplus/(Deficit) for the year</b>	<b>27 092</b>	<b>(3 087)</b>	<b>24 005</b>	<b>34 545</b>		<b>10 541</b>	<b>143.9%</b>	<b>127.5%</b>				

**MATZIKAMA MUNICIPALITY - Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)**

MATIKAMA MUNICIPALITY - Reconciliation of Table A4 Budgeted Financial Performance (Revenue and expenditure)												
Description	2016/17						2015/16					
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
<b>Revenue By Source</b>												
Property rates	43 274	(118)	43 156	42 530		(626)	98.6%	98.3%				36 598
Property rates - penalties & collection charges	-	-	-	-		-	0.0%	0.0%				-
Service charges - electricity revenue	110 223	1 922	112 145	102 379		(9 766)	91.3%	92.9%				93 773
Service charges - water revenue	18 372	82	18 454	16 232		(2 222)	88.0%	88.4%				15 165
Service charges - sanitation revenue	14 837	(840)	13 997	13 740		(257)	98.2%	92.6%				13 010
Service charges - refuse revenue	14 784	(712)	14 072	14 281		209	101.5%	96.6%				13 275
Service charges - other	-	-	-	-		-	0.0%	0.0%				-
Rental of facilities and equipment	3 882	279	4 161	3 621		(541)	87.0%	93.3%				3 983
Interest earned - external investments	1 118	370	1 488	1 701		213	114.3%	152.1%				1 654
Interest earned - outstanding debtors	2 972	-	2 972	3 162		190	106.4%	106.4%				3 125
Dividends received	-	-	-	-		-	0.0%	0.0%				-
Fines	2 383	(409)	1 974	2 849		875	144.3%	119.6%				3 091
Licences and permits	1 243	28	1 271	1 164		(107)	91.6%	93.6%				1 122
Agency services	2 886	-	2 886	2 740		(146)	94.9%	94.9%				2 628
Transfers recognised - operational	52 951	3 233	56 184	54 632		(1 552)	97.2%	103.2%				52 131
Other revenue	2 743	601	3 344	6 513		3 169	194.9%	237.4%				4 559
Gains on disposal of PPE	4 092	1 000	5 092	-		(5 092)	0.0%	0.0%				-
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>275 761</b>	<b>5 436</b>	<b>281 196</b>	<b>265 544</b>		<b>(15 652)</b>	<b>94.4%</b>	<b>96.3%</b>				<b>244 113</b>
<b>Expenditure By Type</b>												
Employee related costs	101 586	2 916	104 501	102 679	-	(1 822)	98.3%	101.1%	-	-	-	93 529
Remuneration of councillors	6 469	(20)	6 448	6 100	-	(348)	94.6%	94.3%	-	-	-	5 908
Debt impairment	15 700	(4 000)	11 700	13 478	1 778	1 778	115.2%	85.8%	-	-	-	11 653
Depreciation & asset impairment	12 529	917	13 445	13 602	157	157	101.2%	108.6%	-	-	-	12 899
Finance charges	8 594	1 135	9 729	7 817	1 912	(1 912)	80.3%	91.0%	-	-	-	8 313
Bulk purchases	89 662	-	89 662	90 355	693	693	100.8%	100.8%	-	-	-	82 656
Other materials	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-
Contracted services	129	(94)	35	-	-	(35)	0.0%	0.0%	-	-	-	-
Transfers and grants	1 038	32	1 069	1 027	-	(42)	96.1%	98.0%	-	-	-	957
Other expenditure	36 666	9 235	45 902	37 583	-	(8 319)	81.9%	102.5%	-	-	-	37 782
Loss on disposal of PPE	-	-	-	1 382	1 382	1 382	0.0%	0.0%	-	-	-	1 025
<b>Total Expenditure</b>	<b>272 372</b>	<b>10 120</b>	<b>282 491</b>	<b>274 024</b>	<b>4 010</b>	<b>(8 467)</b>	<b>97.0%</b>	<b>100.6%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>254 722</b>
<b>Surplus/(Deficit)</b>	<b>3 389</b>	<b>(4 684)</b>	<b>(1 295)</b>	<b>(8 480)</b>		<b>(7 185)</b>	<b>654.8%</b>	<b>-250.2%</b>				<b>(10 609)</b>
Transfers recognised - capital	23 703	1 597	25 300	24 702		(598)	97.6%	104.2%				25 497
Contributions recognised - capital	-	-	-	-		-	0.0%	0.0%				-
Contributed assets	-	-	-	18 323		18 323	0.0%	0.0%				27 281
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>27 092</b>	<b>(3 087)</b>	<b>24 005</b>	<b>34 545</b>		<b>-</b>	<b>143.9%</b>	<b>127.5%</b>				<b>42 170</b>
Taxation	-	-	-	-		-	0.0%	0.0%				-
<b>Surplus/(Deficit) after taxation</b>	<b>27 092</b>	<b>(3 087)</b>	<b>24 005</b>	<b>34 545</b>		<b>-</b>	<b>143.9%</b>	<b>127.5%</b>				<b>42 170</b>
Attributable to minorities	-	-	-	-		-	0.0%	0.0%				-
<b>Surplus/(Deficit) attributable to municipality</b>	<b>27 092</b>	<b>(3 087)</b>	<b>24 005</b>	<b>34 545</b>		<b>-</b>	<b>143.9%</b>	<b>127.5%</b>				<b>42 170</b>
Share of surplus/ (deficit) of associate	-	-	-	-		-	0.0%	0.0%				-
<b>Surplus/(Deficit) for the year</b>	<b>27 092</b>	<b>(3 087)</b>	<b>24 005</b>	<b>34 545</b>		<b>-</b>	<b>143.9%</b>	<b>127.5%</b>				<b>42 170</b>

**MATZIKAMA MUNICIPALITY - Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding**

Vote Description			2016/17						2015/16			
Original Budget	Total Budget Adjustments (Lto MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome	
1	2	3	4	5	6	7	8	9	10	11	12	
R thousand												
<b>Capital expenditure - Vote</b>												
<b>Multi-year expenditure</b>												
Vote 1 - Executive & Council	100	29	129	125	-	(3)	97%	125%	-	-	104	
Vote 2 - Finance	-	-	-	-	-	-	0%	0%	-	-	-	
Vote 3 - Corporate	-	-	-	-	-	-	0%	0%	-	-	-	
Vote 4 - Community Services	-	-	-	-	-	-	0%	0%	-	-	-	
Vote 5 - Public Works and Basic Services	-	-	-	-	-	-	0%	0%	-	-	1 263	
Vote 6 - Development and Townplanning Services	-	-	-	-	-	-	0%	0%	-	-	-	
<b>Capital multi-year expenditure</b>	<b>100</b>	<b>29</b>	<b>129</b>	<b>125</b>	<b>(3)</b>	<b>97%</b>	<b>125%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 367</b>	
<b>Single-year expenditure</b>												
Vote 1 - Executive & Council	-	-	-	-	-	-	0%	0%	-	-	-	
Vote 2 - Finance	75	64	139	128	-	(10)	93%	173%	-	-	286	
Vote 3 - Corporate	120	75	195	176	-	(19)	90%	146%	-	-	-	
Vote 4 - Community Services	2 040	37	2 077	1 650	-	(427)	79%	81%	-	-	3 885	
Vote 5 - Public Works and Basic Services	24 637	3 601	28 238	22 359	-	(5 879)	79%	91%	-	-	24 027	
Vote 6 - Development and Townplanning Services	105	826	931	811	-	(120)	87%	77%	-	-	169	
<b>Capital single-year expenditure</b>	<b>26 977</b>	<b>4 602</b>	<b>31 580</b>	<b>25 124</b>	<b>-</b>	<b>(6 456)</b>	<b>80%</b>	<b>83%</b>	<b>-</b>	<b>-</b>	<b>28 406</b>	
<b>Total Capital Expenditure - Vote</b>	<b>27 077</b>	<b>4 631</b>	<b>31 708</b>	<b>25 250</b>	<b>-</b>	<b>(6 458)</b>	<b>80%</b>	<b>93%</b>	<b>-</b>	<b>-</b>	<b>29 773</b>	
<b>Capital Expenditure - Standard</b>												
<b>Governance and administration</b>												
Executive and council	295	168	463	430	-	(32)	93%	145%	-	-	459	
Budget and treasury office	100	29	129	125	-	(3)	97%	125%	-	-	104	
Corporate services	75	64	139	128	-	(10)	93%	173%	-	-	253	
Community and public safety	120	75	195	176	-	(19)	90%	146%	-	-	102	
Community and social services	2 040	90	2 131	1 700	-	(430)	80%	83%	-	-	2 045	
Sport and recreation	558	99	657	472	-	(185)	72%	84%	-	-	513	
Public safety	1 482	(8)	1 474	1 229	-	(245)	83%	83%	-	-	1 532	
Housing	-	-	-	-	-	-	0%	0%	-	-	-	
Health	-	-	-	-	-	-	0%	0%	-	-	-	
<b>Economic and environmental services</b>												
Planning and development	12 720	860	13 580	11 912	-	(1 668)	88%	94%	-	-	7 547	
Road transport	105	826	931	811	-	(120)	87%	77%	-	-	129	
Environmental protection	12 615	34	12 649	11 102	-	(1 546)	88%	88%	-	-	7 418	
Trading services	-	-	-	-	-	-	0%	0%	-	-	-	
Electricity	12 022	3 513	15 535	11 207	-	(4 328)	72%	93%	-	-	19 722	
Water	3 557	1 020	4 577	3 627	-	(950)	79%	101%	-	-	2 425	
Waste water management	605	320	925	760	-	(164)	82%	126%	-	-	7 990	
Waste management	7 485	2 273	9 758	6 594	-	(3 164)	67%	88%	-	-	4 467	
Other	345	(100)	245	236	-	(9)	96%	68%	-	-	4 838	
<b>Total Capital Expenditure - Standard</b>	<b>27 077</b>	<b>4 631</b>	<b>31 708</b>	<b>25 250</b>	<b>-</b>	<b>(6 458)</b>	<b>80%</b>	<b>93%</b>	<b>-</b>	<b>-</b>	<b>29 773</b>	
<b>Funded by:</b>												
National Government	23 337	1 168	24 505	21 088	-	(3 417)	86%	90%	-	-	24 697	
Provincial Government	366	429	795	645	-	(150)	81%	176%	-	-	801	
District Municipality	-	-	-	-	-	-	0%	0%	-	-	-	
Other transfers and grants	-	-	-	-	-	-	0%	0%	-	-	-	
Transfers recognised - capital	23 703	1 597	25 300	21 733	-	(3 566)	86%	92%	-	-	25 497	
Public contributions & donations	-	-	-	-	-	-	0%	0%	-	-	-	
Borrowing	-	-	-	-	-	-	0%	0%	-	-	-	
Internally generated funds	3 375	3 034	6 409	3 516	-	(2 892)	55%	104%	-	-	4 275	
<b>Total Capital Funding</b>	<b>27 077</b>	<b>4 631</b>	<b>31 708</b>	<b>25 250</b>	<b>-</b>	<b>(6 458)</b>	<b>80%</b>	<b>93%</b>	<b>-</b>	<b>-</b>	<b>29 773</b>	

**MATZIKAMA MUNICIPALITY - Reconciliation of Table A7 Budgeted Cash Flows**

Description	2016/17							2015/16
	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
<b>Receipts</b>								
Property rates, penalties and collection charges	38 817	(408)	38 409	40 637	2 228	105.8%	104.7%	34 598
Service charges	136 420	4 795	141 215	144 227	3 012	102.1%	105.7%	127 791
Other revenue	11 819	908	12 727	13 588	861	106.8%	115.0%	9 701
Government - operating	52 951	3 233	56 184	55 427	(757)	98.7%	104.7%	52 432
Government - capital	23 703	1 597	25 300	23 946	(1 353)	94.7%	101.0%	24 501
Interest	3 783	370	4 153	4 882	709	117.1%	128.5%	4 779
Dividends	-	-	-	-	-	0.0%	0.0%	-
<b>Payments</b>								
Suppliers and employees	(238 518)	(3 944)	(242 463)	(256 466)	(14 004)	105.8%	107.5%	(219 223)
Finance charges	(3 012)	(174)	(3 186)	(3 156)	30	99.1%	104.8%	(3 389)
Transfers and Grants	(1 038)	(32)	(1 069)	(1 027)	42	96.1%	99.0%	(957)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>24 925</b>	<b>6 344</b>	<b>31 269</b>	<b>22 037</b>	<b>(9 232)</b>	<b>0.0%</b>	<b>0.0%</b>	<b>30 233</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
<b>Receipts</b>								
Proceeds on disposal of PPE	4 092	1 000	5 092	553	(4 539)	10.9%	13.5%	690
Decrease (increase) in non-current debtors	-	-	-	-	-	0.0%	0.0%	-
Decrease (increase) other non-current receivables	10	148	158	40	(118)	25.4%	414.8%	158
Decrease (increase) in non-current investments	-	-	-	-	-	0.0%	0.0%	-
<b>Payments</b>								
Capital assets	(27 077)	(4 631)	(31 708)	(25 250)	6 459	79.6%	93.3%	(26 998)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(22 975)</b>	<b>(3 483)</b>	<b>(26 458)</b>	<b>(24 656)</b>	<b>1 802</b>	<b>0.0%</b>	<b>0.0%</b>	<b>(26 150)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
<b>Receipts</b>								
Short term loans	-	-	-	-	-	0.0%	0.0%	-
Borrowing long term/refinancing	-	-	-	-	-	0.0%	0.0%	-
Increase (decrease) in consumer deposits	277	(111)	166	340	174	205.3%	123.0%	156
<b>Payments</b>								
Repayment of borrowing	(4 054)	(29)	(4 083)	(4 115)	(32)	100.8%	101.5%	(4 462)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(3 778)</b>	<b>(140)</b>	<b>(3 917)</b>	<b>(3 775)</b>	<b>143</b>	<b>96.4%</b>	<b>99.9%</b>	<b>(4 305)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(1 828)</b>	<b>2 721</b>	<b>894</b>	<b>(6 394)</b>				<b>(222)</b>
Cash/cash equivalents at the year begin:	16 626	(6 115)	10 511	10 511				10 733
Cash/cash equivalents at the year end:	14 798	(3 394)	11 404	4 116	(7 288)	36.1%	27.8%	10 511